SECOND CLASS

Discount Store News®

THE NEWSPAPER OF DISCOUNT RETAILING

VOL. 30, NO. 15

Published Biweekly, Every Other Monday, Monthly in December, by Lebhar-Friedman Inc.

$39 for copy of Census Issue Part 2

August 5, 1991

Kmart Super Center: A Model for Major Rollout

Store Focuses On Fresh Food, Fresh Ideas

By Tony Lisanti

MEDINA, Ohio — Kmart's new Super Center, which opened last week in this bustling suburban community about 30 miles south of Cleveland, will likely be the "established model" for national rollout of this supermarket/discount store concept that may become a significant 1990s growth vehicle for the nation's second largest discounter.

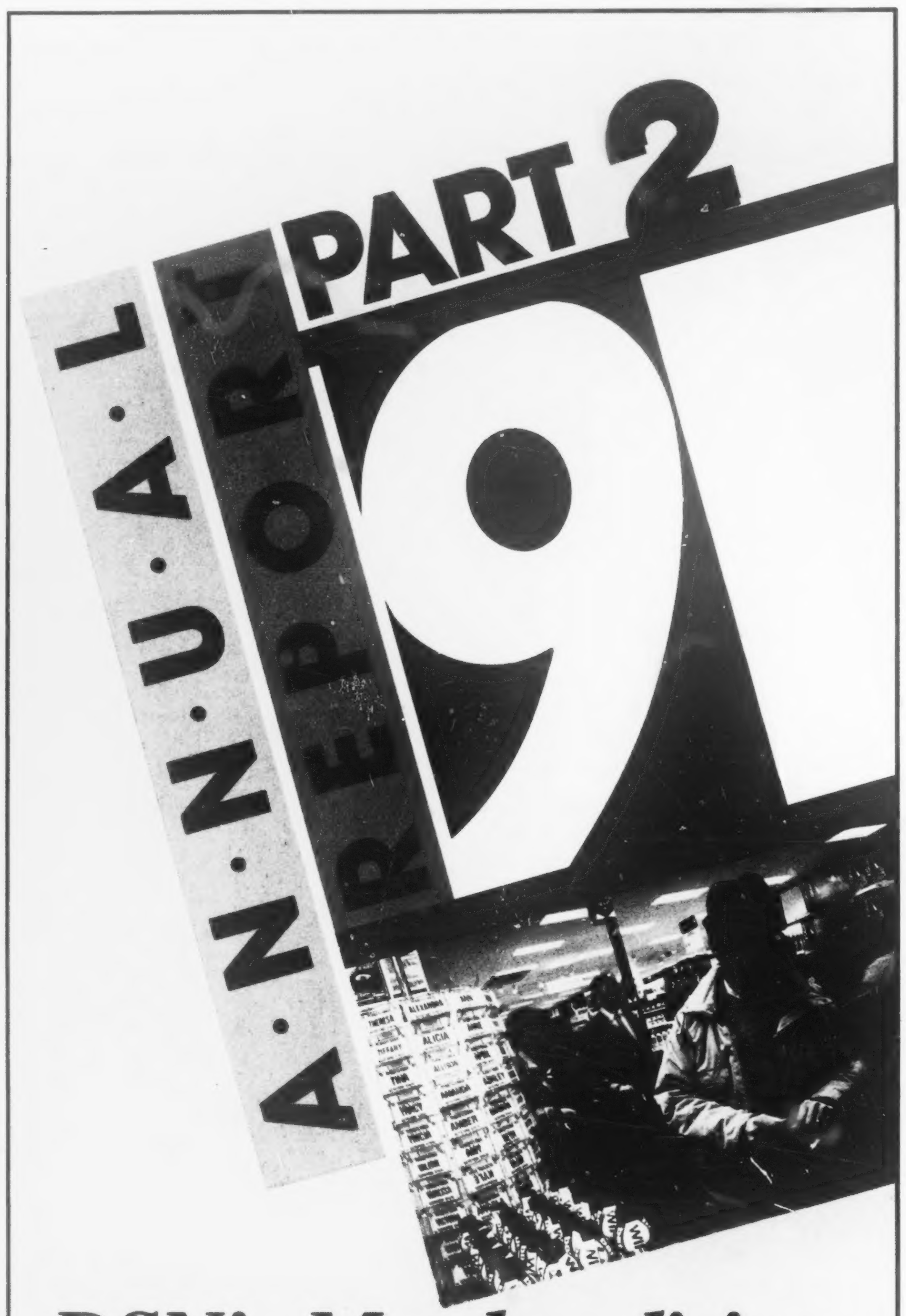
***Super Kmart Center, Medina, Ohio**, combines aspects of Kmart's modern Sayville, N.Y., store and an upscale supermarket.* (DSN photo)

Kmart chairman Joseph Antonini refused to disclose specific plans for the future, but admitted that sites for additional super centers are being investigated.

Rival Wal-Mart opened a new super center in June in Batesville, Ark., which reportedly is also a prototype that executives are confident can be rolled out successfully. That sets the stage for a fierce competitive battle of the super centers over the next several years.

Kmart and Wal-Mart, which have experimented extensively over the past few years with the combination store concept, have obviously benefited in their newest food ventures from their affili-

(Continued on page 92)



DSN's Merchandising, Productivity Analysis Of Discount Retailing

DSN projects that discount industry sales will hit $168.9 billion this year, a 7.3% increase over 1990 sales of $157.4 billion. Eighty-five percent of that business will be conducted by full-line discount department stores, catalog showrooms, specialty discounters and off-price apparel chains. This special report examines sales, productivity and major trends in the top 14 discount department store merchandise categories. It also looks at the productivity of the top discounters, and provides a national state-by-state store count census of discount department stores, specialty mass retailers, membership warehouse clubs and catalog showrooms.

Top Retail Execs Escaping Intense Scrutiny Over Their Pay—So Far

By Arthur Markowitz
Nationwide DSN Report

Retail industry executives so far seem immune to the growing shareholder and institutional investor anger over the high salaries and compensation paid to business executives of public firms.

This exemption reflects two key factors:

- The low corporate profile of most retailers that has resulted in little interest in the pay of their top officers;
- Limited institutional or general shareholder investment in retailers apart from Wal-Mart, Kmart and Sears.

But the lack of interest in retailers' pay may also denote the fact that the industry overall isn't viewed as a high direct compensation business.

David Gitlitz, United Shareholders Association's director of communications and research, said that "it could be that the retail industry has less examples of executives with outrageous compensation than other industries." He said that "outrageous" described a situation "where compensation goes up in much larger amounts than profits or return to shareholders."

Howard Sherman, vp of Institution Shareholder Services, said that "it may be that the average level of ceo pay among retailers isn't as stratospheric as at high profile firms in other industries." But the real issue, he said, is "how they are paid—are they paid based on their performance."

A Council of Institutional Investors spokesman said that "stockholders and ceos both share in good times, but we want ceos to share along with shareholders in rough times."

Sherman also noted that "there are structural reasons why" ceos often are rewarded even for poor performances. "Compensation committees are composed of outside directors, but they are often recruited by the ceo and owe allegiance to the ceo, not to the stockholders."

The indignation over the explosive increase in top executive compensation during the

(Continued on page 87)

* 02221 ********* MIXED STATES
0024037C DS
MS JEANNE LONG HDQ. PERSON
CONGRESSIONAL INFOR SVC INC
4520 EAST-WEST HIGHWAY
BETHESDA MD 20814
II N

page 20
page 83

'New Best' Emerging in the Rough

Best Product's Diamond Prototype Key to Reorganization

By Arthur Markowitz

RICHMOND, Va. — Best Products will test a new showroom format next month in five remodeled Philadelphia area stores that is expected to become the prototype for the "new Best" units that will help the cataloger emerge from Chapter 11.

Key to the new layout, called the Diamond prototype, is relocating the jewelry section in the center of the showroom within a diamond-shaped racetrack to provide greater visibility to this department. The jewelry area is usually spotted on the right side of the showroom.

The order desk, meanwhile, will be moved from the rear to the front of the showroom to provide better customer service and let shoppers know immediately where they can order goods, a spokesman said.

Best will also install customer-operated interactive order terminals in the five showrooms. The units, Best's first use of this technology that is already in place in rival Service Merchandise showrooms, will allow shoppers to check on the availability of

(Continued on page 91)

MARKETWATCH

Hills Unveils First Store For Conversion

ELYRIA, Ohio — Hills Department Stores, at press time, has unveiled one of six new stores slated for conversion to one of two new prototype formats being tested by the Canton, Mass.-based discounter attempting to restructure under Chapter 11. Gone are the old-fashioned pipe racks, once the key feature of Hills' stores, in favor of a more contemporary fashion presentation, both in hard lines and soft lines. New fixtures, new signs, and new displays are featured throughout the store. A "power wall" display—similar to the type seen in Wal-Mart stores—is utilized behind the checkout area. The Elyria prototype has a typical left/right configuration with hard lines on one side, jewelry, accessories and shoes in the center and soft lines on the other side. The other prototype format positions soft lines in the center of the store with hard lines along the perimeter. Hills continues to focus on "low discount prices everyday" promoting an image as the "store for great family values."

Caldor Eyes Former Bloomies' Site

NORWALK, Conn. — Caldor opened two new stores Aug. 1st on Long Island: one in Oceanside, N.Y., in south central Nassau County, and another in Melville, N.Y., in central Suffolk County. According to published reports, the chain is also eyeing a site in the New York borough of Queens that was recently abandoned by Bloomingdales. Chairman Marc Balmuth said that Caldor would consider the site only if significant renovations were performed by the landlord, an issue that led to Bloomie's closing the Queens store this spring. Caldor's Middle Village store in Queens, which opened last year, has reportedly been a strong performer.

Waccamaw Opens 2nd Chicago Store

SKOKIE, Ill. — Waccamaw Corp. opened its second Chicago-area home decor and housewares superstore last month, bringing the total store count of the Myrtle Beach, S.C.-based chain to 26. The Skokie store featured the company's new logo and store design, unlike its first Chicago unit opened in Rolling Meadows six years ago. The first store with the new layout and design was opened in Homewood, Ala., outside Birmingham last May (see *DSN*, June 3, 1991, page 1). Gurnee and Naperville, Ill., will be home to Waccamaw stores later this year.

Baby Bells Get OK for Teleshopping

WASHINGTON — The nation's seven regional telephone companies have received a green light to develop and offer shopping and information services. But Judge Harold H. Greene also bars the telco from acting until appeals on his ruling, expected from current electronic retailers and even newspapers, are completed. (See Taking Stock column, page 10, for related insight on electronic retailing.) Judge Greene had originally barred the telcos from originating information services but an appeals court ordered him to review his decision. He indicated in his new ruling that barring the telcos was still a better idea.

Woodbridge, N.J., Bradlees Adds Food Bar

BRAINTREE, Mass. — Bradlees held grand re-openings in eight of its New Jersey stores: Woodbridge, Union, Clark, Clifton, Middletown, N. Brunswick, E. Brunswick and Colonia. The Woodbridge store introduced the chain's first branded concept food service area. According to Bradlees, the food service prototype features brand foods such as Frozen Icee, Breyers Frozen Yogurt, Hebrew National and Dunkin Donuts. In all eight units, wider aisles, better lighting and new decor were incorporated into remodeled departments for home furnishings, including a new wallpaper center, as well as in H&BA, small appliances, hardware and electronics. Accessories, jewelry and intimate apparel departments also got facelifts.

Venture Plans 10 New Midwest Stores

O'FALLON, Mo. — Venture announced it plans to open six new stores in two new markets in Indiana next spring. Four will be in Indianapolis and the other two in Evansville. All are sites of previous Hills units. They will push the number of Indiana units to 10, joining existing stores in Griffith, Merrillville, Mishawaka and South Bend. This fall, Venture will open four new units: two in Des Moines, Iowa, and one each in Waterloo, Iowa and Tulsa, Okla. Including the six new Indiana units, Venture will be operating 90 stores by the spring of 1992.

Sears To Offer 'Kidvantage'

Unveils Frequent Purchase Program and Full Warranty

By Jill Lettich

CHICAGO — Sears has introduced two programs for its children's apparel department to help build loyalty among shoppers—a frequent purchase program that awards consumers 10% to 15% off children's apparel and a full warranty on children's clothing.

Sears termed the concept KidVantage and began offering the incentives in July.

Under the warranty, Sears will replace a worn-out children's apparel item as long as the child wears the same size.

The frequent purchase program credits parents for every purchase made. When $50 is accumulated, the shopper is awarded 10% off the next purchase. If $100 is accumulated, the discount is 15%.

No sales figures were available at press time to show how the frequency purchase program was working, but Gary Ramsy, national sales manager, children's apparel, said shoppers were enthusiastic in West Coast stores he visited.

The purchase program applies to all apparel in the Kids & More department and to infant furniture. The warranty applies only to items in Kids & More.

Ramsy said Sears is funding the program, which it announced to vendors at a recent seminar. He does not think it willbe a high-cost program.

"It's not a high-risk venture," he noted. "Our quality standards are very high and this is a way of putting our money where our mouth is."

Sears tested the warranty for eight months in more than 100 Sears stores on private-label merchandise only. Ramsey reported very little change in the number of returns during that time.

The moves resulted from consumer group studies which pointed to four key factors for parents, Ramsey said.

"We found that consumers wanted value pricing and more sales, so we increased the number of sales; they wanted more brands, so we added brand names to the warranty and continue to build on that," he said.

"The other two concerns parents had were that kids wore out and grew out of clothes too quickly. The KidVantage program addresses these issues," Ramsey said.

Defining what "worn-out" means was easy, Ramsey said. "The way we have directed our point-of-sale people to deal with the warranty is by letting the customer determine what's worn-out."

Neither program covers shoes, outlet merchandise or catalog sales. Ramsey said the catalog business unit was monitoring the success of KidVantage in the stores.

SearsCharge card holders will receive information about the program in their July/August statements. Ads in consumer magazines will also highlight it. And details will be printed on the back of Sears cash register receipts.

Value City Eyes Expansion; Plans 6 Stores and New DC

COLUMBUS, Ohio — Having recently completed an initial public offering of 3.75 million shares in which it raised $64 million, Value City Department Stores plans to open six stores and a distribution center in the next 12 months.

It has signed leases for stores in Pittsburgh; Springfield, Ohio; and the Grand Rapids, Mich., market.

George Kolber, vice president, administration, at Value City, said "we feel comfortable expanding anywhere within a 500 mile radius of our Columbus headquarters."

The first opening will be an 85,000-square-foot store in Wyoming, Mich., outside of Grand Rapids in September, followed by a 61,000-square-foot unit in Springfield the next month.

The Pittsburgh store will be Value City's second in the market. The 97,000-square-foot store, south of metropolitan Pittsburgh in Pleasantville, will open November 1.

A 300,000-square-foot DC will be opened in December, replacing a smaller facility. The new DC will handle hard lines. Value City operates six DCs all in the Columbus area.

Value City is a full-line off-pricer with stores in the Midwest and East. Sales were $411.2 million and net income was $19.1 million during the first nine months of its 1991 fiscal year, ended April 27.

IN THIS ISSUE

DSN Annual Discount Industry Report

Part II: Merchandising and Productivity Analysis

Home Products Hot in Off Year **37**

Apparel:
Lingerie, Special Sizes Get Women's Notices **41**
Jewelry and Accessories Key to Discounters **41**
Chains Take a Casual Approach to Men's Wear **42**
Kids' Wear Puts Gleam in Retailers' Eyes **42**

Home Products:
Home Decor Gets Retailers Attention **45**
Value-Added Strategies Help Cook Up Profits **45**
Discounters Move Toward TV 'Imaging' **46**
Domestics Find a New Home at Discount Stores **47**
CE Gaining Increased Notice at Full-Liners **50**

Hard Lines:
Recyclables, Social Issues Impact Stationery **53**
'Green' Products Nail Hardware Department **53**
H&BA Shows Fresh Face at Retail **55**
Preschool Category Grows at Discount Level **56**
Walking Shoes Set the Pace in Sporting Goods **59**
Brand Name Tires on Roll in Automotives **61**

Productivity Leaders **65**
Volume, Space, Store Count Leaders **66**
Fastest Growing Chains **69**

Discount Stores by State, Region **70**
Southeast Leads in Number of Discount Stores **72**

FEATURES

IMRA In Print:

IMRA Steps Up Drive for New Members **20**
Wal-Mart's Martin Gets Partnership Award **25**
Kissinger: Look to Mexico, Central America **26**
Zellers, Home Depot Speak on Customer Service **26**
Economy On Mend, Though Recession Not Over **29**

DEPARTMENTS

Classified 90
Columns:
  Buyers & Sellers 8
  Marketing 76
  Opinion 78
  Taking Stock 10
  Washington Report 10
Editorial 8
Food Merchandising (between pages 16-17, regional)
Manufacturer News 75
Retail Execs 84

Subscriptions: Call (813) 664-6707. Having a problem with your subscription? Send full details, including the mailing label from the last copy you received and your telephone number to Circulation Fulfillment Director, *Discount Store News*, P.O. Box 31182, Tampa, Fla. 33631-3182.

Permissions: Materials in this publication may not be reproduced in any form without written permission. Direct permission requests to John Failla, publisher, *Discount Store News*, 425 Park Ave., New York, NY 10022.

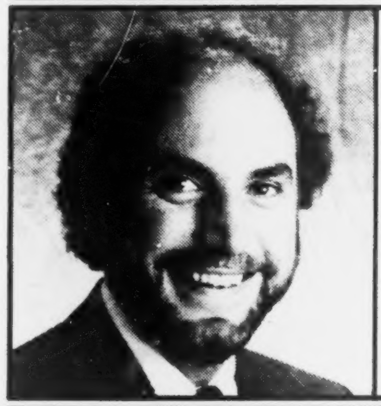
EDITORIAL

Super Kmart Center: Appetizing Foray

Has Kmart finally found the winning formula for its foray into the food business?

Well, if its latest super center prototype, which debuted a week ago in Medina, Ohio, is any indication, then the answer is a resounding yes! But it has taken the giant discounter several years of experimentation to bring the concept to the point where management now believes it has an "established model" that can be rolled out nationwide.

The R&D of this new Super Kmart Center began more than a year ago. In fact, I recall a meeting with Larry Parkin at Kmart headquarters last November when he rolled out the blueprints for the Medina store on his desk with much excitement and enthusiasm. (Parkin, a 30-year Kmart veteran, was formerly exec vp of warehouse/grocery operations. He retired this past January.) He said that the Medina store would be different, a totally new shopping experience. He was right.



TONY LISANTI
Editor

Previous tests such as Super K and American Fare were "warehouse-style" operations; the new super center is not. And this distinction is not only the key factor in the total integration of food and general merchandise, but it may prove to be the key to customer acceptance as well. The new Super Kmart Center effectively brings the supermarket and the discount store together into one cohesive store that does not overwhelm or intimidate the shopper. In fact, it subtly encourages shoppers to browse the aisles.

Here are some other key factors I believe make this new super center concept a winner:

- Aggressive pricing. A few quick comparisons around the store as well as from its TPR (Temporary Price Reduction) circular indicate Kmart will be a tough competitor.
- Food service. One Kmart exec said at the opening the store needed a "little theater." And food kiosks, which offer an array of prepared entrees, salads, snacks and desserts, provide just enough fun, excitement and convenience. Obviously, Kmart studied many chains including Minneapolis-based Byerly's, a progressive supermarket chain known for its food service.
- Cross-merchandising. Parkin stressed the importance of product mix. And so did Dave Marsico, now general manager of combination stores. For example, there is a Gatorade stack-out adjacent to sporting goods and baby food in the infants department. The transition from supermarket to discounter is smooth and comfortable.
- Convenience. The store is well lit; the aisles wide. Every product is easily accessible and clearly priced.
- Excitement. TV monitors in key cross aisles and entranceways, as well as the food kiosks, enhance the "fun" aspect of shopping the store.

Yet, one lingering question remains. Will customers accept the one-stop shopping concept? Will they shop "both sides" of the store?

Furthermore, Wal-Mart has achieved a similar level of confidence with its latest super center in Batesville, Ark. And don't forget other competitors including Twin Valu, Meijer and other supermarket chains such as Kroger. It will not be easy to expand the super center concept, but the potential pay-off is staggering. A conservative estimate based upon opening 10 super centers a year with sales of $50 million could easily make this a $2.5 billion business in five years.

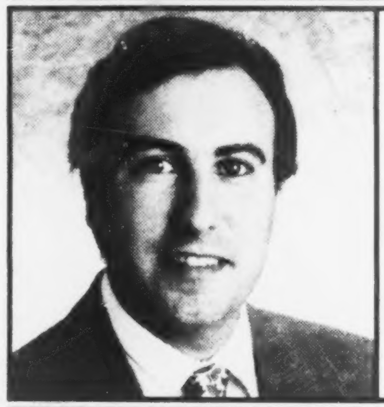
The stage is set for battle of the super centers in the 1990s.

BUYERS & SELLERS

There's No Business Like 'Show' Business

The National Hardware Show this week kicks off what I like to refer to as the retail industry's Fall Show Season. Like the networks' fall lineup of TV shows, the retail show season will have its own series of comedy and drama.

For retail reporters as well as for buyers, this fall show season is only slightly less hectic than the big winter/spring show season (i.e., January's Consumer Electronics Show and Housewares Show week through February's Back-to-School Show, Toy Fair, Photo Marketing Association Show and sporting goods Super Show, to March's MAGIC men's wear madness). This year, each of those shows had a personality that reflected the temper of the retail industry. For example, the gloomy apprehension that permeated the winter CES not only reflected the soft market for big ticket electronics, but was prophetic in light of continuing problems in the CE industry, including, but not limited to, last month's contraction by Newmark & Lewis.



DON LONGO
Exec Editor

On the other hand, the housewares show reflected a cautious optimism that was hard to easily justify at the time. After all, two of the biggest retail accounts of many housewares vendors, Best Products and Hills, had just gone Chapter 11. As it turned out, housewares sales held up better than most other product categories through the recession.

According to some reports, the 1991 Toy Fair was one of the least exciting fairs in years. And you know how the toy business is slogging along. In contrast, the photo show was extremely upbeat. Perhaps timing had something to do with that—since the show's beginning coincided with the swift conclusion of combat in the Persian Gulf.

As onerous as the travel schedule promises to be, I can't wait to see how the fall shows shake out. The Hardware Show will provide a glimpse at the state of the hard lines industry. If the country is truly coming out of recession, as the president and his economic gurus contend, hardware and home improvement/fix-up products should be among the first to feel the impact. Additionally, the show will feature *DSN's* annual SPARC (Supplier Performance Awards by Retail Category) banquet, where Discounter of the Year David Glass of Wal-Mart, Hall of Fame inductee Stan Brenner of Fisher's Big Wheel and Vendor of the Year Wolf Schmidt of Rubbermaid will be honored along with about 50 top industry suppliers.

After that, the shows come fast and furious. There's the annual auto aftermarket show, Exclusively HBA, the fall Housewares and Lifestyle Products show, the sporting goods show, Southern Furniture Market and, of course, the fall MAGIC.

To make life even more hectic for buyers, there are two stationery/home office shows in the fall. The first is in November, when the Thalheim organization conducts its Back-to-School Fall Show in Chicago. It was formerly held in February in New York). Then, in December, the industry's newest trade association, SHOPA (School/Home Office Products Association), conducts its first trade show in New Orleans.

Apparently, in the retail industry, there's no business like show business.

Fax Us Your Letters

Discount Store News welcomes letters on timely topics. Now you can fax them to us at:
(212) 756-5125
Make sure all letters are addressed to Letters Department, Discount Store News.
As usual, all letters may be edited for reasons of space or clarity. Discount Store News cannot consider unsigned letters, but will withhold names on request.
Our mailing address is: Discount Store News, 425 Park Ave., New York, N.Y. 10022.

Discount Store News®

is published by
LEBHAR-FRIEDMAN INC.
425 Park Ave., New York, NY 10022
212-756-5100
Subscription Services:
813-664-6707
Fax #: (813) 664-6886
Cable Address: LEBHAFRIED
Fax # for News Releases: 212-838-9487

Publisher **JOHN FAILLA**

Editor **TONY LISANTI**

Executive Editor **Donald Longo**
Special Projects Editor **Pete Hisey**
Senior Editor **Arthur Markowitz**
Senior Editor **Laura Liebeck**
Associate Editor **Richard C. Halverson**
Associate Editor **Mary Ellen Kelly**
Associate Editor/Apparel **Jill Lettich**
Senior Desk Editor **Dawn Wilensky**
Desk Editor **Marie A. Peluso**
Editorial Assistant **Danita Minnis**
Art Director **Milt Berwin**
Graphic Artist **Angela Fontana**

Washington News Bureau
117-35 Striley Drive, Ashton, Md. 20861
301-774-3895
Manager, Correspondent **Kenneth Rankin**
Correspondent, **Deane Evans**

VP, Group Publisher **FRED J. FILER**

DSN BOARD OF ADVISORS

Joe Ettore Pres., Stuarts
Peter Hayes Pres., coo, Family Dollar
Joseph Nusim Pres., ceo, Channel
Julian Seeherman Pres., Venture Stores
Stephen Westerfield, Pres., ceo, WORKplace
Warren W. White GM, Clover
Ray Zimmerman Chmn., Serv. Merchandise

SPECIAL SUPPLEMENTS

Apparel Merchandising

Associate Publisher **PAULA LASHINSKY**
Editor **JEFFREY ARLEN**
Associate Editor **Jill Lettich**
Art Director **Daarek Szeto**
Graphic Artist **Cate Johnson**

HomeMarket Trends

Associate Publisher **BARBARA PAUL**
Editor **TONY LISANTI**
Executive Editor **Donald Longo**
Senior Editor/Special Projects **Pete Hisey**
Associate Editor **Mary Ellen Kelley**
Senior Desk Editor **Dawn Wilensky**
Desk Editor **Marie A. Peluso**
Art Director **Milt Berwin**
Graphic Artist **Angela Fontana**

Food Merchandising For Non-Food Retailers

Co-Publishers **John Failla, Jill Manee**
Editor **Elizabeth Parks**
Art Director **Bob Brokman**

SALES/MARKETING

New York

District Manager **Kevin Kennedy**
Classified Ad Manager **Carole Harnoff**
Classified Production Manager **Larry Brush**

REGIONAL OFFICES

Boston 1 Gateway Center, Newton, MA 02158
617-527-6394
Regional Manager **James Malver**
Office Manager **Angela Ftaras**

Cleveland Summit One Bldg., 4700 Rockside Rd., Independence, OH 44131 216-642-3420
Area Manager **Dave Tuttle**
Office Manager **Deborah Bambao**

Chicago 444 N. Michigan Ave., Chicago, IL 60611
312-644-8688
District Manager **Bruce Smith**
Area Manager **Cheryl Kilberg**
Office Manager **Beverly Wendtland**

Los Angeles 606 N. Larchmont Blvd., Los Angeles, CA 90004 213-464-8321
Area Manager **Jeffrey Larasan**
Office Manager **Maureen Jackson**

Japan Diamond-Friedman Ltd. Chain Store Age News Japan 1-4-2 Kasumigaseki, Chiyoda-ku Tokyo, Japan 504-6750

BUSINESS/PRODUCTION

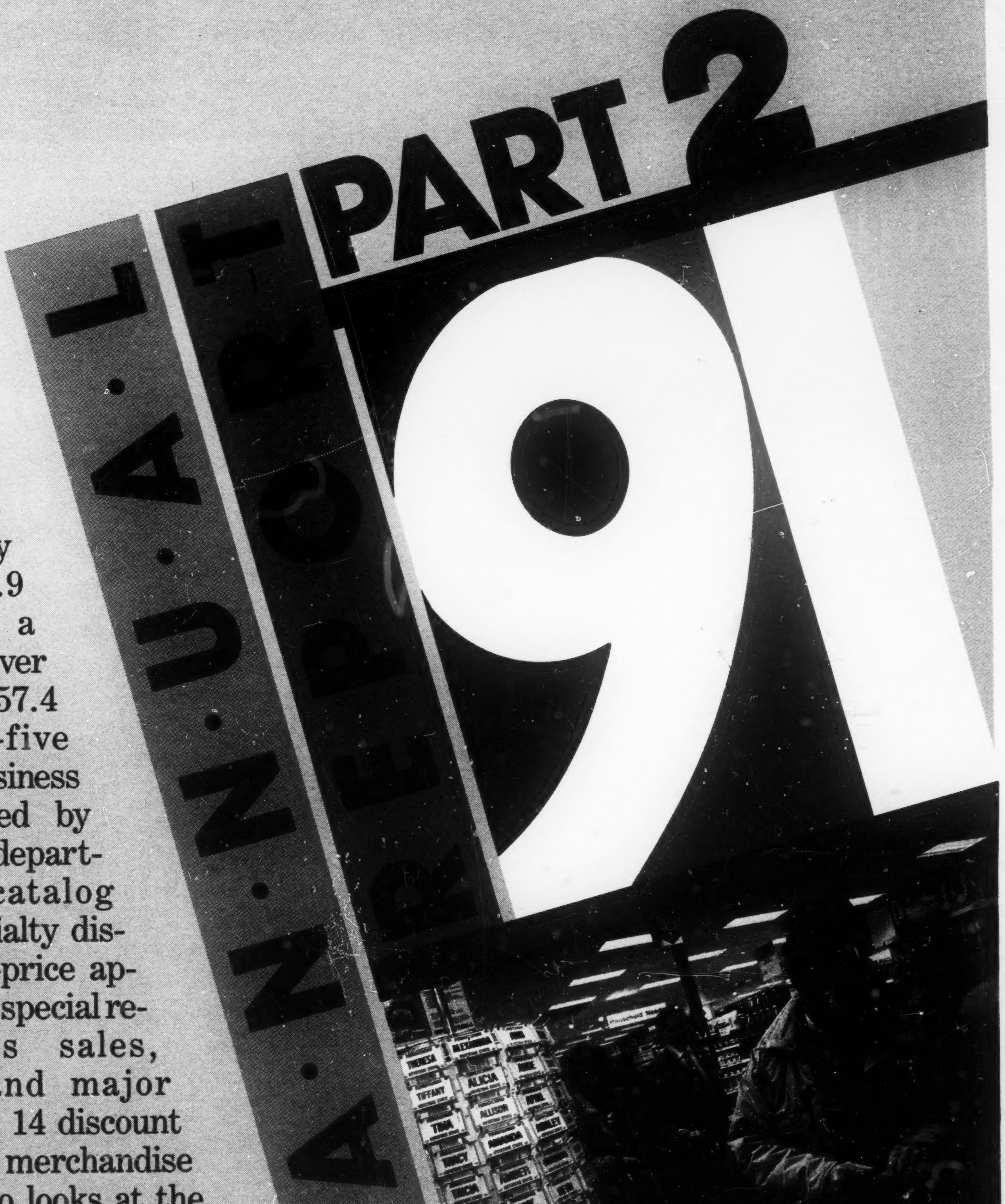
Business Manager **Roch Minieri**
Director of Manufacturing **Stan Kaufman**
Production Manager **Mary Lewis**

LEBHAR-FRIEDMAN INC.
425 Park Ave., New York, N.Y. 10022
President **J. Roger Friedman**
VP/Administration **Harry A. Estes**
VP/Group Publisher **Fred J. Filer**
VP/Group Publisher **Jay Forbes**
VP/Publisher **John Rapuzzi**
VP/Finance **James Granato**
VP/Circulation **Martha Pattley**
Director/Human Resources **John Murro**
Director/Corporate Development **John O'Brien**

Founder (1900-1981) **ARNOLD D. FRIEDMAN**

Publisher of Discount Store News, National Home Center News, Drug Store News, Accounting Today, Nation's Restaurant News, Chain Store Age Executive (with Shopping Center Age), Apparel Merchandising, Food Merchandising, Home Market Trends, National Industry Reports, Supermarket HQ Quarterly. Affiliates: Business Guides Inc., Lebhar-Friedman Books; Inside Retailing (Newsletters); Chain Store Age News, Japan; Largo Music Inc.

The Audit Bureau MPA ABP



DSN projects that discount industry sales will hit $168.9 billion this year, a 7.3% increase over 1990 sales of $157.4 billion. Eighty-five percent of that business will be conducted by full-line discount department stores, catalog showrooms, specialty discounters and off-price apparel chains. This special report examines sales, productivity and major trends in the top 14 discount department store merchandise categories. It also looks at the productivity of the top discounters, and provides a national state-by-state store count census of discount department stores, specialty mass retailers, membership warehouse clubs and catalog showrooms.

Discount Industry Annual Report

PART II: MERCHANDISING AND PRODUCTIVITY ANALYSIS

Home Products Hot in Off Year

CAMERAS
GENESIS
SEGA
SHARP

***Photo supplies** and the home product categories will generate a larger percentage of discounter sales this year.*

Photo supplies, basically cameras, film, and related products, will generate the highest sales productivity per square foot at full-line discount stores this year, according to *DSN* research.

In fact, the whole area of home product categories—including housewares, consumer electronics, photography and domestics—will generate a larger percentage of full-line discounter sales this year. These categories will total over $26.7 billion in sales this year, or nearly 30% of total store sales. Last year, the home product categories accounted for about 28.6% of store sales.

Ladies' wear, men's wear as well as children's wear will dip a bit in total store market share, but nevertheless, will still account for nearly one-third of total store sales. It appears that the recession has most greatly affected ladies' wear sales at full-line discounters.

The remainder of discount store sales will come from the hard lines categories of hardware, health & beauty aids, automotives, toys, sporting goods, and stationery. These categories will generate about $30.8 billion in sales, or nearly 35% of total store sales. Miscellaneous other product categories will total some $2.9 billion in sales for discounters.

This special report of *DSN* includes an analysis of the major merchandising trends in 14 product categories. Some highlights include:

- While women's wear will still lead all categories in sales at discounters, it also leads in most number of complaints. From a lack of fashion excitement to the recession, women's wear retailers struggled to stay on their feet last year. The year will be remembered less for innovations than for the refining that retailers did to capitalize on target customer bases and rid the stores of unprofitable merchandise.

New boutiques emerged to emphasize categories previously underexplored; markets were more closely defined and specialty categories exploited; and stores were upgraded and redesigned to make shopping more enjoyable.

- In housewares, many chains began to take a "category killer" approach to the department. Big players like Kmart and Wal-Mart, smaller regional chains like Stuarts and Rose's, and variety chains like Sprouse, took a hard look at which categories made the most sense in which to make a commitment. It appears they have determined that the entire world of home decor is a key element to the "killer" merchandising strategy.

Everything from crafts, area rugs and throw pillows to closet shop, lighting, picture frames and gadgets were developed at many chains, gaining floor space, and increased ad frequency.

- In the electrics area of housewares, retailers ran fewer price promotions last year, and, consequently, achieved stronger gross margins. Value-added strategies—such as free hair brushes with blow dryers and free recipe booklets with food preparation appliances—helped retailers regain profits in this notoriously low-margin business.

New product introductions like stovetop and tabletop grills, new versions of the automatic iced tea makers, plus assorted grilled sandwich makers pepped up otherwise sluggish sales in the electric housewares business.

In personal care appliances, growth continued at a steady clip due to the upswing in two demographic groups—health-conscious senior citizens and baby boomers feeling the first twinges of age.

- Children became a force to be reckoned with in 1990. Media reports of how much children spent of their own money put a gleam into discounters' eyes; not to mention what feelings the spending habits of parents and grandparents produced.

Over the last few years, discount retailers have consistently been the more popular avenue of distribution for children's wear. That fact was taken to heart by many discounters which worked toward building that area with new merchandise presentations and increased space.

(Continued on page 65)

Full-Line Discount Store Productivity

Category	Discount Volume (In Millions)	Sales Per Store (In Thousands)	Dept. Size (In Sq. Ft.)	Annual Sales Per/Sq. Ft.	Annual Turns	Percent Initial Markup	Percent Gross Margin
Ladies' Wear	$12.85	$1,701,987	11,000	$154.73	4.2	44.16%	33.5%
Housewares	12.16	1,610,596	7,550	213.32	3.5	31.49	24.0
Children's Wear	6.80	900,662	7,600	118.51	4.3	40.32	32.2
Hardware	6.80	900,662	4,450	202.50	2.6	37.01	31.1
Consumer Electronics	6.72	890,066	2,200	404.58	3.6	25.36	17.6
Men's Wear	6.66	882,119	6,500	135.71	4.1	42.37	32.6
Health & Beauty Aids	6.58	871,523	3,300	264.10	5.5	22.92	18.9
Automotives	5.76	762,914	2,300	331.70	3.6	30.41	24.2
Toys	4.69	621,192	2,600	238.92	3.2	33.84	26.7
Domestics	4.62	611,921	4,000	152.98	2.7	41.77	33.1
Sporting Goods	4.00	529,801	2,550	207.77	2.4	32.99	26.7
Photography	3.07	406,623	550	739.31	3.7	22.78	17.8
Stationery	2.95	390,728	2,100	186.06	4.2	42.80	39.1
Jewelry	2.16	286,093	700	408.70	1.9	42.26	41.4

Housewares includes personal care, small electrics, non-electrics and RTA furniture.

Hardware includes paint and tools.

Children's includes girls', boys', infants', and toddlers' wear.

Toys includes wheel goods.

Consumer electronics includes video games.

Source: DSN *research*

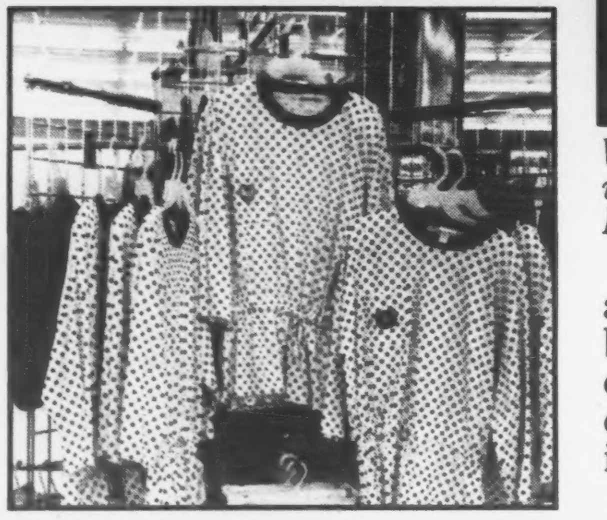
Annual Discount Industry Report

Part II: Merchandising and Productivity Analysis

Apparel
  Ladies' Wear 41
  Jewelry 41
  Men's Wear 42
  Children's Wear 42
Home Products
  Housewares 45
  Personal Care 45
  Photo 46
  Domestics 47
  Consumer Electronics 50
Hard Lines
  Stationery 53
  Hardware 53
  Health & Beauty Aids 55
  Toys 56
  Sporting Goods 59
  Automotives 61
Sales Productivity 65
Volume, Profit Leaders 66
Fastest Growing Chains 69
Chains By Region, State 70

PART II: MERCHANDISING AND PRODUCTIVITY ANALYSIS

Lingerie, Special Sizes Get Women's Notice



***Waterfall fixtures** and overhead displays spiced up the look of women's wear merchandise at New Bedford, Mass.-based Stuarts (above) and at Hills, Lima, Ohio.*

(DSN photos)

Women's wear still leads the retail parade at discount. It also leads in the number of complaints. From a lack of fashion excitement—a complaint that was surely first uttered by a dissatisfied shopper named Cleopatra—to the dreaded recession, women's wear retailers struggled to stay on their feet last year.

1990 will be remembered less for innovations than for the refining retailers did in women's wear departments and with women's wear merchandise: all actions designed to capitalize on target customer bases and rid the stores of unprofitable merchandise.

New boutiques emerged to emphasize categories previously underexplored; markets were more closely defined and specialty categories exploited; store upgrading and redesigning continued to make shopping more enjoyable.

Ladies' Wear $18.75 Billion	
Full-Line Discounters	$12.85B
Catalog Showrooms	—
Specialty Discounters	$5.9B
Full-Line Discount Store Productivity	
Sales	$12.85B
Sales Per Store	$1,701,987
Dept. Size	11,000 Sq. Ft.
Sales Per Sq. Ft.	$154.73
Turns	4.2
Initial Markup	44.16%
Gross Margin	33.5%
Source: DSN research	

Shop-within-a-store concepts evolved. More manufacturers were getting into the act, and included new areas of merchandise.

Lingerie, which has been a hot area for the last few years, got major play in stores like Alexander's, New York. Bestform, the daywear and lingerie manufacturer, tested its product shop concept in this and other regional retailers. Coordinated tops and bottoms, stretch lace fashion items and some sexier merchandise made the grade in the stores.

The larger discounters also made similar statements. New Babylon, Sayville and Levittown, N.Y.—Kmarts featured extensive lingerie areas repleat with romantic lifestyle graphics.

Women's activewear, or more precisely performance wear, also got big play at Kmart. The chain introduced Rachel McLish leotards and other activewear. Kmart is banking on McLish's active image as a national body builder.

Even off-pricers such as Marshalls are in tune to good bodywear with at least one rounder designated to the merchandise in its smaller stores.

Jacques Moret is among the more visible performance-specific lines in the market. Gitano, this year, revamped its line to be more sportswear-oriented.

Discounters also concentrated on special sizes. This customer, often ignored by major retailers, found a new haven at discounters.

Plus sizes has been the more popular special size of recent years. In 1990, the category got its first branded shop concept through a Justin Allen shop at Prange Way. As a matter of fact, the Green Bay, Wis.-based discounter consciously emphasized both women's plus sizes and men's big & tall sizes, noting that both were more important than juniors in their markets.

Petite sizes also became news early this year as Kmart expanded its Jaclyn Smith line to include petites. According to Kmart, the line will feature the same styles as in the regular Jaclyn Smith line with the appropriate size adjustments.

With the entree of Jaclyn Smith in the petite market, it becomes one of the most visible brands in the category. The major discount brands—Gitano, Chic, Sasson, Cape Cod and Bonjour—also have a hand in petites through various merchandise. With this beginning, special sizes looks to be an area that will be looked at closely in the coming year.

Discounters Featuring Jewelry and Accessories

Jewelry and other accessories proved to be safe ports in a storm for some discounters. As in most recessionary periods, these categories often do better than some apparel.

Consumers who may not want to spend money on a completely new wardrobe are perfectly willing to spend money on a piece of jewelry or an accessory that updates an outfit.

Jewelry and accessories became an important area for discounters a number of seasons ago. For the past year, discounters have increased the space devoted to the category.

Marshalls new prototype stores feature an expanded jewelry and accessory area in the front of the store.

Likewise, T.J. Maxx continued to increase the number of stores with jewelry departments in 1990.

Kmart decided to feature jewelry more prominently. Evidence of its emphasis on the market was the move to change the distribution of the category. Jewelry was brought under the auspices of the Apparel division in its New Jersey facility, where automated QR systems are in place.

For some discounters, reaction to a tough economy resulted in moving the area off to the side. Stuarts, struggling through a Chapter 11 bankruptcy, changed its format to move a stronger children's department to the front. In refurbished stores, jewelry is on the side, separated from the rest of the store bull pen fashion with electronics.

Watches remain a favorite jewelry item at discount. It is also a category with a wide price range offering.

At Filene's Basement, a lone Rolex watch was on sale for a mere $3,840. Obviously, this was the exception rather than the rule. Mass market brands such as Gitano and more palatably priced watch brands like Timex and Swatch were the among the timely favorites.

As in women's wear, no one specific style captured consumers hearts. Faux pearls, silver-toned items and statement-making pins were successful.

Children's jewelry, both for its play and decorative value was featured at many discounters. The number of manufacturers offering this type of product increased in the last year. From R.N. Koch to newcomer Junk Inc., manufacturers are gearing specific products to this growing market.

Earrings in pastels for babies or brightly colored pop art pieces for older kids make for fun displays. The merchandise was placed in both traditional jewelry sections and in the kids' department.

Jewelry $5.64 Billion	
Full-Line Discounters	$2.16B
Catalog Showrooms	$2.58B
Specialty Discounters	$0.90B
Full-Line Discount Store Productivity	
Sales	$2.16B
Sales Per Store	$286,093
Dept. Size	700 Sq. Ft.
Sales Per Sq. Ft.	$408.70
Turns	1.9
Initial Markup	49.26%
Gross Margin	41.4%
Source: DSN research	

Chains Take a Casual Approach to Men's Wear

Men's wear did little to offset the less than spectacular performance of women's wear at apparel discounters.

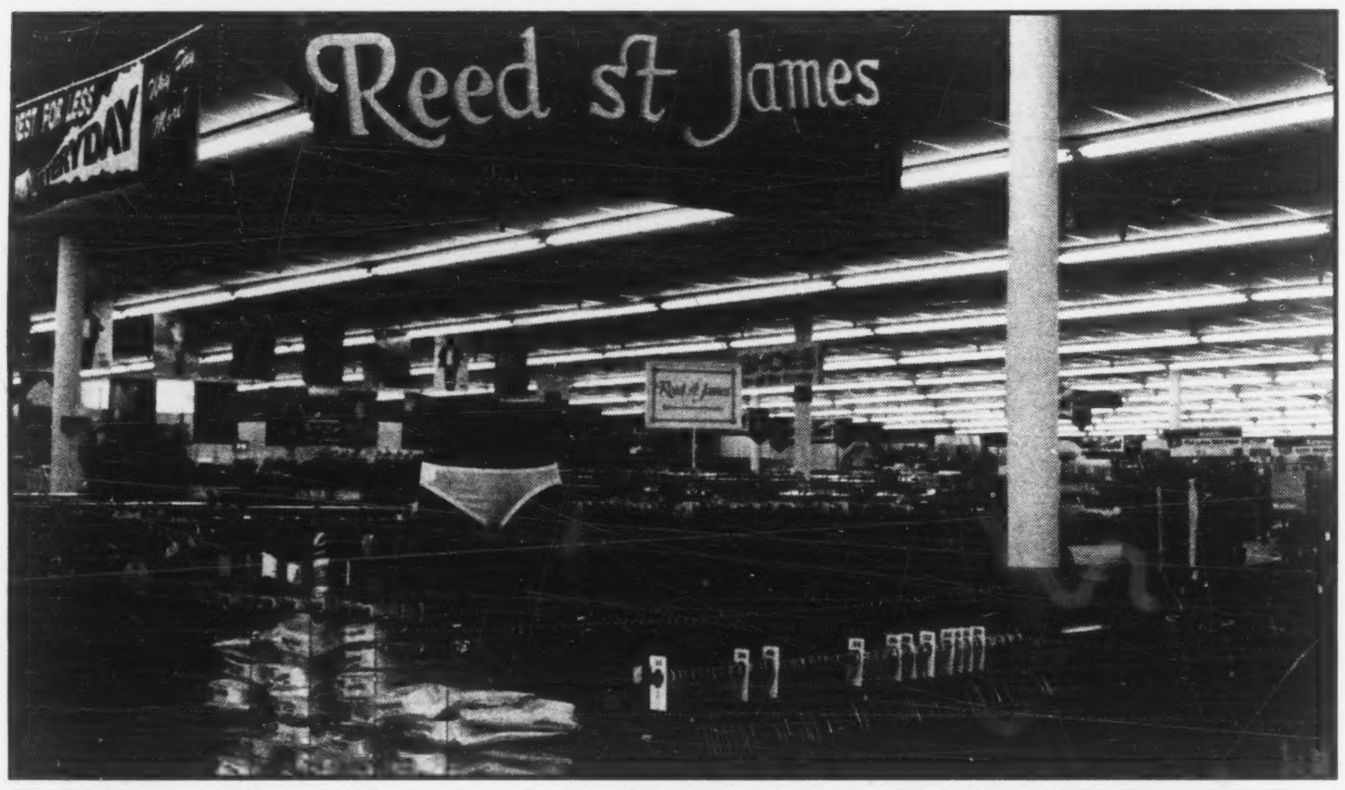
The hard economic times, however, did not stop retailers from giving the men's department a facelift. In fact, many of the characteristics that defined women's wear merchandising began finding their way into the men's area as well.

For instance, brand names became more important and shop concepts, though in simpler forms, were tested in many areas.

Overall, casual was the mood of men's wear at discounters. Off-pricers such as NBO and S&K did not fare well in the market. Both these stores offer men's suitings in a time where the emphasis and success seems to be concentrated in active and casual.

It is no surprise, therefore, that sports licensing was a bright spot for many. NFL leased departments did well at chains such as Montgomery Ward. Target found micro-marketing worked with college and professional sports teams. Regional chains like Rose's created large departments centered on local sports favorites.

Chalk Line was one of the manufacturers that parlayed this trend into dollars. The company has the licensing rights to a number of teams and captured both high-end markets and discount customers with products like silk screen nylon jackets and warm-up suits. The silk screens feature the faces of prominent sports stars.



***Manufacturer-designed** merchandising display programs grew in popularity at retailers.*

The almost always healthy fleece market was perhaps the most influenced by this sports trend. Young men in particular choose their fleece fashion not by brand but by the team logo that was emblazoned on the front of the sweatshirt.

Non-sport shop concepts were also introduced and refined during the year.

Gitano, which many credit with initiating the concept in women's wear at retailers, took it into the men's department, albeit, on a much smaller scale.

McGregor and Reed st. James were other companies that inaugurated what is more correctly defined as merchandising program displays. Often, the displays in the men's area were less of a "shop" and more of a well-planned fixturing design.

Manufacturer-driven merchandise programs are apt to continue into the coming year—for all categories.

As for fashion trends: there were few that stood out and saved the day.

Floral ties found their way to discount stores after a few seasons at high-end retailers.

Surfer looks, for younger men especially, did well. Brightly colored shorts and very graphic matching T-shirts were the uniform of choice for many.

The jeans of choice were the standard five-pocket basic, though men did seem to be willing to experiment with various finishes. Black did well in young men's; traditional blue attracted the more mature customer.

As the casual mood filtered through discounters, many bottoms companies announced they would be introducing casual pants lines.

Wrangler was the most ambitious and hoped its Timber Creek line would be to discounters what Levi's Dockers are to the likes of Sears and JCPenney. Even traditional jeans manufacturers such as Long Haul introduced a twill pant for the market.

This is a men's category to watch in the coming year. Wrangler plans a major advertising push for its Timber Creek program. With the phenomenal success of Dockers, a quality counter brand at discount might be just what the retail doctor ordered for ailing men's chains.

Men's Wear
$9.51 Billion

Full-Line Discounters	$6.66B
Catalog Showrooms	—
Specialty Discounters	$2.85B
Full-Line Discount Store Productivity	
Sales	$6.66B
Sales Per Store	$882,119
Dept. Size	6,500 Sq. Ft.
Sales Per Sq. Ft.	$135.71
Turns	4.1
Initial Markup	42.37%
Gross Margin	32.6%

Source: DSN *research*

Kids' Apparel Puts Gleam in Discounters' Eyes

Children became a force to be reckoned with in 1990. Media reports of how much children spent of their own money put a gleam into discounters' eyes; not to mention what feelings the spending habits of parents and grandparents produced.

Over the last few years, discount retailers have consistently been the more popular avenue of distribution for children's wear. That fact was taken to heart by many discounters which worked toward building that area with new merchandise presentations and increased space.

Kids "R" Us, the apparel specialty division of Toys "R" Us, continued its growth in the children's wear market, though the recession hit even this powerhouse category.

Many full-line discounters, including the hardest hit, hoped the children's area would alleviate some of the pressure.

When Kmart's chainwide renovation began, children's wear was a focal point. In some prototype stores the area for the category actually doubled.

After filing Chapter 11 in December, Stuarts was one of the chains that looked to its kids' wear department as an area of strength. The chain moved the department to the front of the store to give it more presence.

Chains also relied on a growing roster of brand names to lend distinction to children's wear departments.

Even names such as OshKosh B'Gosh, long a department store name, began appearing at mass merchandisers such as Sears.

Fisher-Price, Gerber and broad merchandise labels such as Gitano and Lightning Bolt were also winners in the category.

Licensing continued to make waves with The Little Mermaid and every other Disney name. Its Minnie & Me products, which is viewed by Disney as a brand rather than a licensed item, set the standard for future Disney projects. Disney said it would incorporate all its licensees, which until now created their own labels, under one name.

Crayola had the same all-inclusive concept in mind for its line of children's clothing. It is relying on a popular and familiar toy name to peak interest.

As for character success beyond the classic favorites of Disney, The Muppets and Sesame Street, Bart Simpson held his own. Teenage Mutant Ninja Turtles wavered toward the end of the year. Barbie was doing well in accessories, and plans call for expansion of this licensing concept for the fall.

The looks that sold best in 1990 were casual and comfortable. Girls continued to wear leggings and big tops. Jeans, which were suffering in the girls' market, seemed to be making a comeback. Boys' jeans fared better.

In both markets, the trend in jeans was toward unique colors and finishes from black to light acid-washed looks.

Predictably, the styles in toddlers' remained cute and cuddly; while the larger children's sizes followed the more sophisticated trends in young men's or junior departments.

Fleece tops with college or professional team logos were a hit with boys. For girls, coordinated separates—both skirts and shorts—were popular.

Children's wear remains one of the areas in which discounters far outpace other retailers. According to U.S. population statistics, there are plenty of more customers out there.

Children's Wear
$8.18 Billion

Full-Line Discounters	$6.8B
Catalog Showrooms	—
Specialty Discounters	$1.38B
Full-Line Discount Store Productivity	
Sales	$6.8B
Sales Per Store	$900,662
Dept. Size	7,600 Sq. Ft.
Sales Per Sq. Ft.	$118.51
Turns	4.3
Initial Markup	40.32%
Gross Margin	32.2%

Source: DSN *research*

GRACO
Fisher-Price
Garry
Gerber

***Many full-line discounters** added more space to the children's wear department and made it the focal point of the store.*

(DSN photo)

HOME PRODUCTS

PART II: MERCHANDISING AND PRODUCTIVITY ANALYSIS

Retailers Put Emphasis on Home Decor

In 1990, many chains began to take a "category killer" approach to non-electric housewares.

Big players like Kmart and Wal-Mart, smaller regional chains like Stuarts and Rose's, and variety chains like Sprouse, have taken a hard look at which categories made the most sense to be "committed" to, and which were only a distraction from their primary merchandise opportunities. It appears they have determined that the entire world of home decor is a key element to the "killer" merchandising strategy.

Everything from crafts, area rugs and throw pillows to closet shop, lighting, picture frames and gadgets were developed at many chains, gaining floor space, and increased ad frequency.

Kmart, Ames, Jamesway and Harts were among the full-line discounters which expanded the crafts department at most stores during the past year, as did variety store chains, fabric stores and home decor stores like Waccamaw and nursery chains. The close link between home fashion trends and home crafts projects like silk flower arrangements, tole painted and stenciled home accents, handmade throw pillows and other home decor crafts, has fostered a rebirth of the category.

An aggressive stance in crafts could also help chains facing Wal-Mart, which is well-known for its service-oriented fabric and crafts department.

A close cousin to the crafts category, picture frames, has still not peaked as sales of better quality, higher-ticket styles continue to climb. The custom frame business in craft specialty chains was a major source of growth last year. One full-line regional discounter, Van Leunen's in Cincinnati, began experimenting with a category killer approach to framing last year by working with a local framing store. Van Leunen's customers were offered one-stop shopping for frames; if the store's expanded frame department did not meet their needs, custom framing was available.

Several new retailing formats have sprung up to take advantage of the home decor craze. They include Jamesway's My House store, Ames' Crafts & More stores and departments, Ben Franklin Crafts stores and Pergament's soon to be opened chain of home decor specialty stores.

The home decor segment is so hot that virtually every direct mail cataloger and most home center chains are trying to gain peripheral sales by offering home decor merchandise. Most recently, Pergament exploded its home decor and housewares categories to include a Rubbermaid "boutique" and an International department spotlighting wicker, brass, and other home accents resembling Pier 1. Soft home direct mail retailers like Hanover House's Domestications arm added some RTA furniture and dinnerware to its comforters and window coverings, while novelty catalog, Lillian Vernon, developed its own coordinated patterns for closet shop and bath.

Ready-to-assemble furniture was a tough decision for merchandising execs since some chains decided this space-intensive, relatively high-service category didn't earn its keep in terms of gross margins. Other chains however, most recently Kmart, have decided to establish category dominance in RTA as evidenced by its Long Island, N.Y., stores opened in May. Both the Sayville "test" store and the Levittown prototype devoted about 10 gondola runs to RTA and lifestyle furniture. The furniture category was paired with an enhanced lighting department.

The marriage between hard lines housewares and soft home merchandise was consummated last year as manufacturers from both segments designed products that made the most of both product areas.

The blending was most apparent in tabletop and bath. Textiles ranging from tablecloths and napkins to potholders and appliance covers were paired with dinnerware, flatware, glassware and serveware patterns. Soap pumps and trash cans that pick up shower curtain and domestics designs are more frequently being paired together instead of being relegated to separate category displays.

Manufacturers like New York-based International China (creator of the "Marmalade" pattern and others) and retailers like Kmart and Target have paved the way for this integrated approach to kitchen housewares, and now coordinated merchandising is becoming more the rule than the exception.

Non-Electrics $8.3 Billion	
Full-Line Discounters	$7.49B
Catalog Showrooms	$0.81B
Specialty Discounters	NA
Full-Line Discount Store Productivity	
Sales	$7.49B
Sales Per Store	$992,052
Dept. Size	6,000 Sq. Ft.
Sales Per Sq. Ft.	$165.34
Turns	3.5
Initial Markup	36.82%
Gross Margin	30.2%
NA: Not applicable.	*Source: DSN research*

Value-Added Strategies Help Cook Up Profits

Retailers ran fewer price promotions in electric housewares and personal care appliances last year, and, consequently, achieved stronger gross margins. Value-added strategies—such as free hair brushes with blow dryers and free recipe booklets with food preparation appliances—helped retailers regain profits in this notoriously low-margin business.

New product introductions like stovetop and tabletop grills by Griffo Grill and other suppliers, new versions of the automatic iced tea maker originally launched by Mr. Coffee, plus assorted grilled sandwich makers pepped up otherwise sluggish sales in the electric housewares business last year.

In personal care appliances, growth continued at a steady clip due to the upswing in two demographic groups—health-conscious senior citizens and baby boomers feeling the first twinges of age.

Both of these groups tend to have enough disposable income to keep the business growing. They are interested in appliances that do everything from clean the air and water to measure blood pressure and massage aching muscles.

Wet/dry shavers and dental care appliances, such as Windmere's Plac Trac, were among the relatively new product lines that lured consumers into the personal care department.

In electric housewares, consumers could hardly open a retail circular without seeing some variety of stovetop or tabletop grill on promotion last spring. And mass merchandisers were not the only ones promoting this sometimes electric, sometimes non-electric item. Department stores like Jordan Marsh and Macy's were also using these grills as a traffic builder. The fat-free approach to cooking won over consumers as did other health-oriented food appliances.

For instance, bread makers, introduced about three years ago, began catching on at upscale mass retail stores as part of a back-to-basics shift linked to a rising interest in personal health.

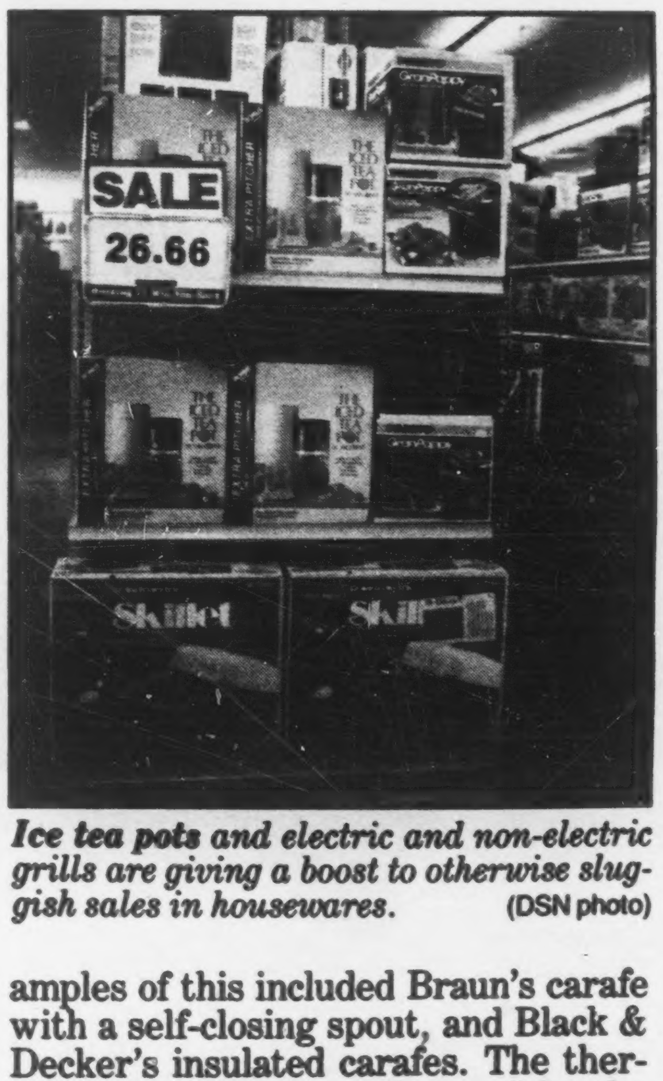
Other electrics that benefited from a more grass roots approach to food preparation included pressure canners for home canning of produce, and pasta makers. Woks—both electric and stovetop models—also staged a rebirth as ethnic cooking styles that were viewed as being more healthful came back into vogue. And even merchandise popular in the 1960s—like fondue pots, snow cone kits, electric juicers and yogurt makers—staged a subtle return to popularity.

Automatic drip coffeemaker sales were given a shot in the arm by the attention to anti-oxidation methods. Examples of this included Braun's carafe with a self-closing spout, and Black & Decker's insulated carafes. The thermal carafe eliminates the need for the pot to be heated after the coffee is brewed, reducing both evaporation and oxidation.

Microwave oven sales continued to decline in 1990 due to market saturation. Short of vendors developing a new twist on the microwave appliance, retailers will have to wait until a rise in the replacement market signals promise for the category.

Personal Care $3.04 Billion	
Full-Line Discounters	$2.84B
Catalog Showrooms	$0.20B
Specialty Discounters	NA
Full-Line Discount Store Productivity	
Sales	$2.84B
Sales Per Store	$376,160
Dept. Size	750 Sq. Ft.
Sales Per Sq. Ft.	$501.55
Turns	3.7
Initial Markup	26.0%
Gross Margin	18.00%
NA: Not applicable.	*Source: DSN research*

Electrics $2.42 Billion	
Full-Line Discounters	$1.92B
Catalog Showrooms	$0.50B
Specialty Discounters	NA
Full-Line Discount Store Productivity	
Sales	$41.92B
Sales Per Store	$254,300
Dept. Size	800 Sq. Ft.
Sales Per Sq. Ft.	$317.88
Turns	3.8
Initial Markup	25.8%
Gross Margin	17.62%
NA: Not applicable.	*Source: DSN research*



Ice tea pots and electric and non-electric grills are giving a boost to otherwise sluggish sales in housewares. (DSN photo)

Discounters Move Toward TV ‘Imaging’

Wal-Mart, State College, Pa.: *Discounters are moving slowly into the camcorder market, although most retailers now stock 8mm tape.* (DSN photo)

Photo **$3.36 Billion**	
Full-Line Discounters	$3.07B
Catalog Showrooms	$0.29B
Specialty Discounters	—
Full-Line Discount Store Productivity	
Sales	$3.07B
Sales Per Store	$406,623
Dept. Size	550 Sq. Ft.
Sales Per Sq. Ft.	$739.31
Turns	3.7
Initial Markup	22.78%
Gross Margin	17.8%

Source: DSN *research*

While the photo market as a whole is essentially flat, with low percentage growth projected for the next year, discounters have had great success in the category, particularly in 35mm film sales and in photofinishing.

The film business matured years ago. Recent surges from the latest baby boomlet were counteracted by the increasing usage of compact camcorders, which will continue to erode film usage. It’s not too surprising that film suppliers like Fuji are getting into the camcorder business, as well as the 8mm videotape market, strongly.

Clearly, the trend is toward “imaging” rather than photo. While cameras and standard 35mm film will probably put up a better fight than did turntables and vinyl albums against the compact disc technology, the similarity of their situations is striking. Like film, the standard LP has a tactile presence that appealed enormously to consumers—right up until they bought their first compact disc player. Film producers have long argued that consumers want to be able to touch and hold their photos, and that electronic reproduction just wouldn’t fulfill that tactile need.

The evidence, however, suggests that consumers are getting very comfortable with viewing their “photos” on their televisions. Camcorders have led the way here; from a product that was rarely seen outside family reunions in the backyard, camcorders have become almost omnipresent wherever people get together, from the beach to the amusement park to the ball game. As a whole new CD-based still technology becomes available, it’s likely that consumers will find it extremely attractive.

Recognizing this trend, Kodak and Polaroid have both announced that they will, in the future, become imaging, not photographic, companies (and Fuji has made the same decision, de facto). Kodak has already introduced its CD technology, which requires a $500 player at home and conversion of film images to a CD format. But how long will it take to develop a camera that shoots direct to CD? And while the player may be overpriced, Philips new CD-I player will accept Kodak discs, leading to even more synergy. As HDTV and other advanced playback technologies reach the marketplace, the advantages of electronic imaging should quickly overwhelm the few drawbacks.

That said, the film business is still a major business at discount stores, which now account for nearly 20% of all film sold in the United States, second

(Continued on page 74)

The power behind the

Kodak
Kodak
Kodak
Kodak

©Eastman Kodak Company, 1991. Kodak, Gold, Photolife and Star are trademarks.

ANNUAL REPORT: PART II/DOMESTICS

Domestics Find a New Home at Discount Stores

While the home products categories as a whole have done well at discount stores in this era of homebodies, domestics has been the spearhead of the life-style movement, and the leading signal to the shopping public that a revolution is underway in the discount field.

Less than a decade ago, discounters were clearly second-class citizens in the home fashions field. The chains, with few exceptions, sold only the basics in, to paraphrase Henry Ford, any color you want as long as you want white. The average store specialized in seconds, remnants, overruns and a few everyday patterns, just as they had since the dawn of discounting.

Domestics
$6.02 Billion

Full-Line Discounters	$4.62B
Catalog Showrooms	$0.20B
Specialty Discounters	$1.20B
Full-Line Discount Store Productivity	
Sales	$4.62B
Sales Per Store	$611,921
Dept. Size	4,000 Sq. Ft.
Sales Per Sq. Ft.	$152.98
Turns	2.7
Initial Markup	41.77%
Gross Margin	33.1%

Source: DSN *research*

But times have changed. The discount store shopper has become fashion conscious and no-brand jeans, polyster shirts, remnants and overruns aren't good enough anymore.

Now, largely because of outside factors, retailers have moved closer than ever to becoming the leading outlet for home fashions in the United States.

Discounters, in particular, have benefited from the trouble in the department store sector. With many department stores hit with heavy debt burdens and pressed by the recession, it often doesn't make economic sense for consumers to shop there. Consumers seem to understand that stores that routinely run 50% off sales start with big markups.

While discounters also were hurt by the recession—and some heavy debt—they entered the year with lean inventories, and are now able to profit from the recovery. Several mills have reported record May and June sales due to this situation.

And, 1990 was the year that several discounters offered some ambitious fashion programs. Kmart's Martha Stewart program overcame its early troubles, and appeared to gain customer acceptance. Target's Country Estates coordinates, too conservative in their debut, really got on track in 1990. ShopKo, Caldor, Rose's, Fred Meyer, and Wal-Mart were other chains that made significant advances in 1990.

In addition to fashion, discounters added new levels of luxury in the past year. Most notable: full selections of down comforters and 200-count sheets, as well as super luxurious towels at what used to be value price points in department stores. Key suppliers included Hollander Home Fashions (comforters), J.P. Stevens (200-count) and Dundee (oversized towels).

The major retailers, as well as several regionals, have made major commitments to the category. Both Wal-Mart and Kmart have added roughly 20% to the square footage dedicated to bed & bath, and Kmart has experimented with moving the bath department to the front of the store, even testing a point-of-sale endcap at the entrance to one cash register.

Caldor, which has been a major innovator in the category, has built its business with exclusive and semi-exclusive goods, higher price points (as an innovator in the down comforter market) and major color statements that rival those of competing department stores.

With its beefed up selections, *Caldor shoppers will find goods that rival those found at department stores.* (DSN photo)

Where this upscaling trend will end is an open question. Goods that were clearly too upmarket two years ago are top sellers today, and the American thirst for value-priced home fashions seems nowhere near peaking. The movement that started in bed & bath has spilled over to RTA furniture, tabletop, storage and other related categories. At some point, discounters will endanger their discount image; however, it doesn't appear that that point has been reached.

---

sale.

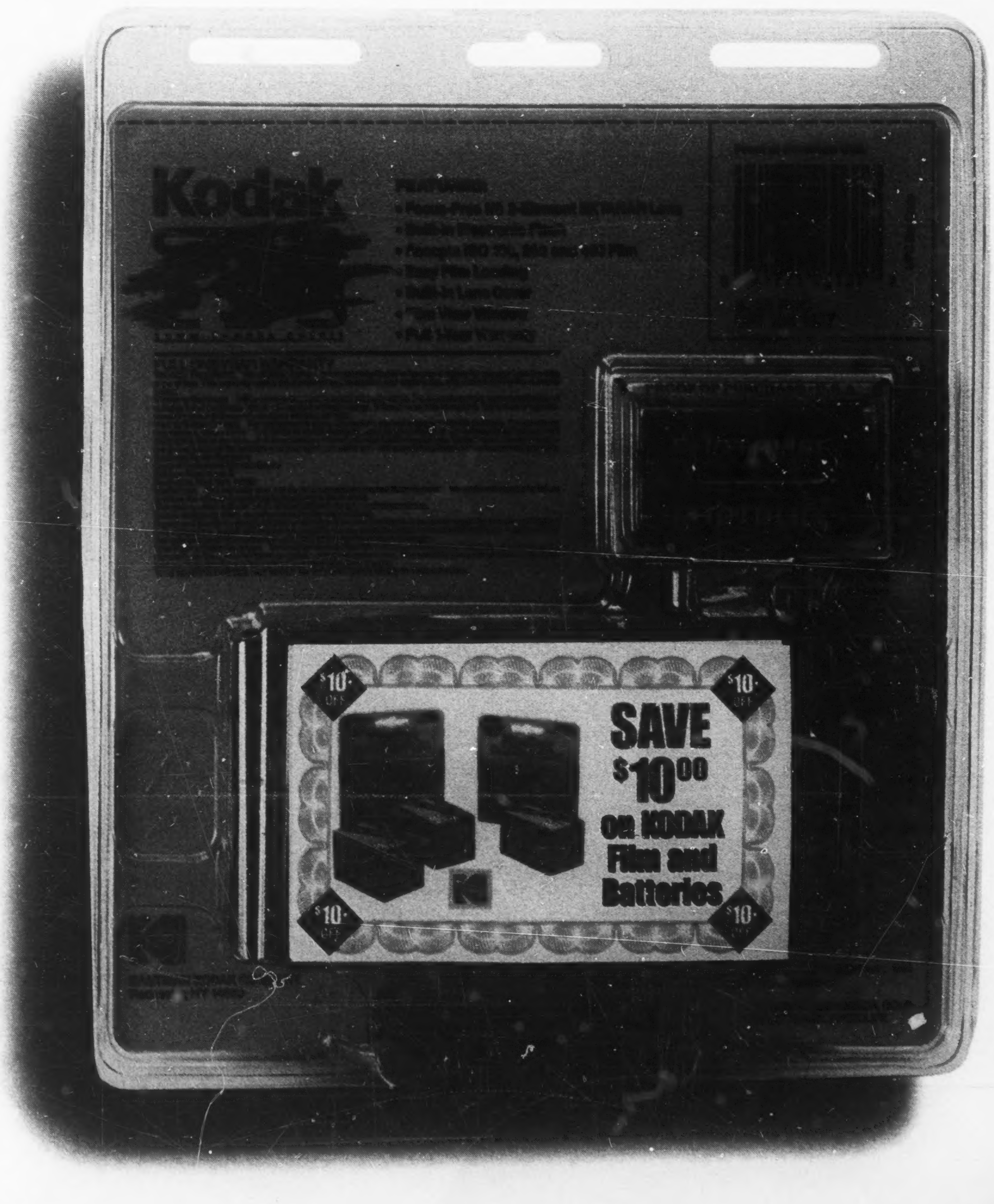
Every KODAK STAR 35 mm Camera is backed by unequalled selling power. Just flip over the package and look behind the camera. Where you'll find vouchers worth $10 toward KODAK Film and KODAK Batteries that will drive customers back to your store.

But talk about added value. Every STAR 35 Camera model comes packed with a 24-exposure roll of KODAK GOLD 200 Film. And KODAK PHOTOLIFE™ Batteries. Everything your customers need to start taking great shots. Because the affordable KODAK STAR 35 Cameras are loaded with the quality features that make for great pictures. Just point and shoot. No other camera manufacturer packs so much extra value.

And behind it all is the selling power of the name prized by customers the world over.

So call your Kodak sales account executive today. And put your camera decisions behind you.

Kodak



CE Gaining Increased Notice at Discounters

Consumer electronics is rapidly becoming more and more important to full-line discounters. From Kmart installing a Sharp high-tech 100-inch projection television in at least one of its new stores to Wal-Mart testing 150 Home Office departments to Fishers Big Wheel re-accentuating the category, CE is becoming big business.

Of course, the category has been up and down for years, but there's a twist this time. In place of the more commonplace array of off-brand boomboxes, inexpensive color televisions and cheap telephones, discounters today are making their money in relatively sophisticated areas, including pcs, video software, fax machines, personal printers, compact disc players and full-feature telephones to build traffic, consumer loyalty and, of course, sales.

Now, retailers are targeting profitable software and accessory product areas, including a wide range of office accessories like printer ribbons, computer peripherals, diskettes, software, toners and other daily-use items that draw consumers into the store on a regular basis, and offer attractive margins as well.

Storage products, blank media like videotape and audio tape, video game accessories, and video cases and accessories are also growth areas.

Like CE specialists, discounters were hampered by the recession and the lack of any truly new products in the marketplace. But they seem to have used this period of inactivity to upgrade their selections and move into technologies that were thought to be too advanced for their customer base. While Wal-Mart has experimented with computers, fax machines, copiers, large screen televisions and other products over the past decade, the chain is just this year really making an effort to become a home office source. Wal-Mart is reportedly rolling out 150 home office departments across the country that will sell a full range of business products, from hardware to supplies to accessories.

Kmart has dressed up its CE department, rolling out a selection of 8mm camcorders to all stores in late 1990, testing big screen televisions, making a major commitment to the video game category and committing to top national brands.

Target, too, has upgraded its selection and focused more on the category as a whole.

With expansion by superstore chains pretty much maxed out, discounters will have the opportunity in the coming years to build their CE business. The CE superstore attracts and caters to a certain segment of the market. While it is a large segment, there are a lot of consumers out there who don't patronize the superstores, yet still want relatively sophisticated products.

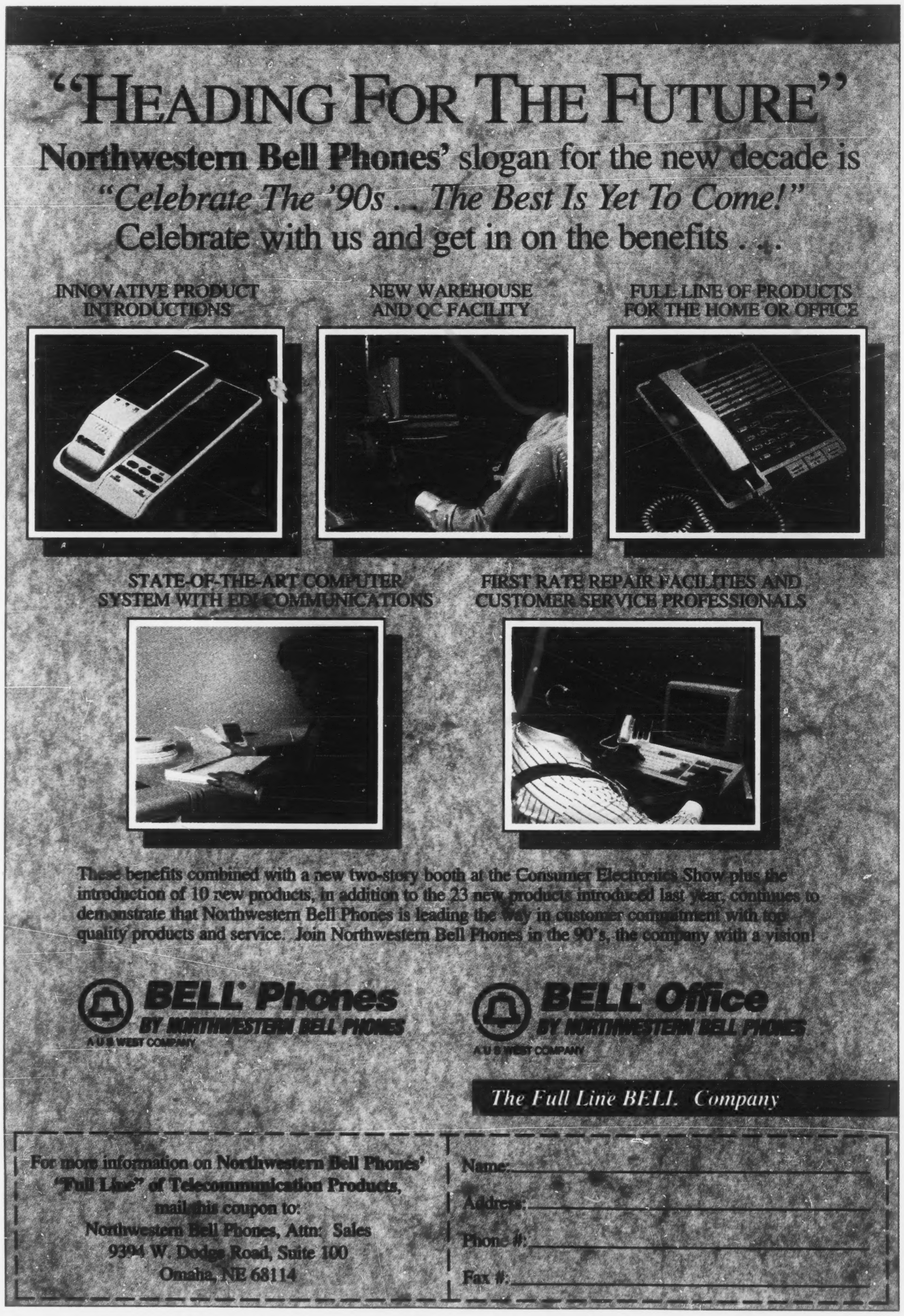
While it's rare that a discounter pioneers any product category, here are a few that are starting to mature that may lend themselves to the discount environment in a major way: big screen televisions, camcorders, hi-fi VCRs, CD changers, satellite systems, low-end fax machines, pcs and printers, personal copiers, 16-bit and CD-ROM video game systems, and personal reference devices like Franklin's spelling aids and Sharp's Wizard organizer.

The most interesting aspect of these products, or at least most of them, is that they promote repeat visits for higher-margin supplies like computer diskettes, printer ribbons, 8mm and VHS tape, fax paper, computer and video software, video editing systems and much more. And coming soon are technologies that should rapidly move onto discount shelves after a brief period at

(Continued on page 74)

Consumer Electronics $14.72 Billion	
Full-Line Discounters	$6.72B
Catalog Showrooms	$1.00B
Specialty Discounters	$7.00B
Full-Line Discount Store Productivity	
Sales	$6.72B
Sales Per Store	$890,066
Dept. Size	2,200 Sq. Ft.
Sales Per Sq. Ft.	$404.58
Turns	3.6
Initial Markup	25.36%
Gross Margin	17.6%

Source: DSN research



"HEADING FOR THE FUTURE"

Northwestern Bell Phones' slogan for the new decade is

"Celebrate The '90s ... The Best Is Yet To Come!"

Celebrate with us and get in on the benefits . . .

INNOVATIVE PRODUCT INTRODUCTIONS

NEW WAREHOUSE AND QC FACILITY

FULL LINE OF PRODUCTS FOR THE HOME OR OFFICE

STATE-OF-THE-ART COMPUTER SYSTEM WITH EDI COMMUNICATIONS

FIRST RATE REPAIR FACILITIES AND CUSTOMER SERVICE PROFESSIONALS

These benefits combined with a new two-story booth at the Consumer Electronics Show plus the introduction of 10 new products, in addition to the 23 new products introduced last year, continues to demonstrate that Northwestern Bell Phones is leading the way in customer commitment with top quality products and service. Join Northwestern Bell Phones in the 90's, the company with a vision!

BELL Phones BY NORTHWESTERN BELL PHONES
A U S WEST COMPANY

BELL Office BY NORTHWESTERN BELL PHONES
A U S WEST COMPANY

The Full Line BELL Company

For more information on Northwestern Bell Phones'
"Full Line" of Telecommunication Products,
mail this coupon to:
Northwestern Bell Phones, Attn: Sales
9394 W. Dodge Road, Suite 100
Omaha, NE 68114

Name: ____________________

Address: ____________________

Phone #: ____________________

Fax #: ____________________

HARD LINES

PART II: MERCHANDISING AND PRODUCTIVITY ANALYSIS

Recyclables, Social Issues Impact Stationery

Stationery $4.76 Billion	
Full-Line Discounters	$2.95B
Catalog Showrooms	—
Specialty Discounters	$1.81B
Full-Line Discount Store Productivity	
Sales	$2.95B
Sales Per Store	$390,728
Dept. Size	2,100 Sq. Ft.
Sales Per Sq. Ft.	$186.06
Turns	4.2
Initial Markup	42.80%
Gross Margin	39.1%

Source: DSN *research*

(DSN photo)

***More and more stationery departments** carry traditional cards and those that focus on consumers' social consciousness.*

Stationery products aimed at a consumers' social consciousness have made a big impact on stationery and office product departments at retail since the beginning of last year.

Many new products now bear the symbol for recycled paper. Still more items offer conservation themes. Others use social messages like patriotism or child abuse, often with a portion of the proceeds going to benefit an organization.

In fact, at the February Back-To-School Merchandise Show products bearing patriotic themes, environmental concerns and social causes cropped up in greeting cards, social stationery, school glue and office supplies.

All of this is in direct response to national and global environmental concerns, world peace, and assorted safety issues and causes championed by special interest groups and consumers at large. Consumers, it seems, don't just want to express their opinions on T-shirts and bumper stickers but also with greeting cards, writing tablets and pencil barrels. And kids are interested in doing likewise.

For example, Sangamon offers a greeting card line under license with Wildlife Conservation International that features products printed on recycled paper and containing conservation messages.

Sangamon also has a program called, "For the Children—Words that Help," a card line that encourages children. A portion of the line's profits benefit the National Committee for the Prevention of Child Abuse.

Major paper and school supply manufacturers Mead, Stuart Hall, Norcom, DataCom, Atapco and Tops Business Forms, among others, offer stationery products made from recycled paper fibers. Even manufacturers like Pentech, Ross Adhesives, Manco and Olo offer products made from or packaged in recycled materials.

While the market for "green" is still being developed, consumers have shown an interest in products, manufacturers and retailers that offer these goods. Price is a big factor in the success of the lines, though. Consumers are still unwilling to pay more than 15% more for green goods.

Back-to-school stationery and home/office supplies total about $3 billion at retail, and growing. The demand for stationery supplies seem boundless with the explosive growth of office supply superstores and the growing office stationery departments at discounters.

A 1991 *Discount Store News/Drug Store News* BTS Retail Survey released during the Back-To-School Merchandise Show last February found that the overall market for BTS/home office supplies is very strong with the following noteworthy results:

- 93% of buyers forecast a sales increase of 5%-to-10% this year;
- 27% project more space will be given to both home/office supplies and recycled products;
- The fastest growing subcategories in stationery are, in order: home/office; recycled/reduced package items; children's arts/activities and year-round stationery products; organization products; and pegged writing instruments.

Also noteworthy was the formation of a new trade association, SHOPA (School & Home Office Products Association), which will conduct its first trade show this December in New Orleans. In addition, the 11th annual Thalheim Expositions-sponsored BTS Show, usually held in February in New York, will be held in November 1991 in Chicago.

'Green' Products Nail Hardware Department

***Kmart, Sayville, N.Y.:** Fewer vendors and more brand names dominate.* (DSN photo)

Hardware $6.80 Billion	
Full-Line Discounters	$6.80B
Catalog Showrooms	—
Specialty Discounters	—
Full-Line Discount Store Productivity	
Sales	$6.80B
Sales Per Store	$900,662
Dept. Size	4,450 Sq. Ft.
Sales Per Sq. Ft.	$202.40
Turns	2.6
Initial Markup	37.01%
Gross Margin	31.1%

Source: DSN *research*

Environmentally-friendly products and those that conserve energy and reduce waste are getting as important in the hardware department as they are in other merchandise categories.

Products like mulching mowers, chippers, composting equipment, recycling bins, lawn chemicals and more energy-efficient light bulbs, particularly florescents and halogen for interior use and passive solar for outdoors, are bringing in a fair share of hardware department dollars these days.

At the upcoming Outdoor Power Equipment Industry convention this year in Louisville, Ky., followed by the Hardware Show next month in Chicago, more "green" products and reduced packaging programs are likely additions to a vendor's 1991 offerings.

Beyond that, a consolidation of vendors within the hardware department at discount stores, more brand name products, and a greater emphasis on simple do-it-yourself projects are the major trends coming into play in mass market hardware retailing.

Merchandise selections in a growing number of hardware/do-it-yourself departments reflect the projects consumers are doing most: home fix-ups with a heavy emphasis on home decor and improving living space, including outdoor areas. This fact is breathing new life into some landscaping products, paint and paint sundries, glue guns, hand tools, wallcoverings and assorted project-related merchandise.

The most recent example of these trends was unveiled at Kmart's Sayville, N.Y., store opened in June.

Designed to be more fashion-oriented and female-friendly, Kmart's new home improvement department is 200 feet larger than its previous prototype and features fewer vendors but more home decor products and informational signage to help customers make the right choices for their needs.

The focus of the department is its new paint area called "America's Paint Center." The department features only Dutch Boy and Glidden-brand paint. The revitalized wallcovering area features product only from Norwall; and Catalina won the spot as the exclusive vendor for outdoor lighting products.

(Continued on page 74)

Weyerhaeuser
Sales Representatives

Pat Gillis
Vice President,
Customer Development
Tacoma, Washington
(206) 924-4304

Doug Birnie
Irvine, California
(714) 733-1078

Chuck Deem
Valley Forge, Pennsylvania
(215) 640-1464

Don Garman
Valley Forge, Pennsylvania
(215) 640-1464

John Hoover
Dallas, Texas
(214) 233-3818

Bill Irwin
Columbus, Ohio
(614) 431-5119

Pyke Johnson
Plano, Texas
(214) 423-5186

Owen Nail
Atlanta, Georgia
(404) 668-1229

Dick Sherman
Seattle, Washington
(206) 329-5520

Rick Wagner
Elgin, Illinois
(708) 888-5455

© 1991 Weyerhaeuser

H&BA Shows Fresh Face at Retail

Industry reports say that discounters continued increasing market share for H&BA products in 1990 and are picking up pace in the category at some expense to drug stores.

Nielsen Marketing Research, which tracks the category, reported that discounters captured an increased share of sales in 66 H&BA categories in 1990.

Full-line discounters won points by offering variety and improving the look of the department and by increasing space. To some degree, discounters also upgraded their merchandise mix. Perhaps the boldest example was Wal-Mart's offering of Estee Lauder products. The department store brand was displayed in a counter case at one of the newer Wal-Mart prototypes.

Deep discount drug stores tried the same tactics. The top three, Phar-Mor, Drug Emporium and F&M, succeeded and sales rose by 15% and over.

Maybelline, Max Factor and L'Oreal remain among the leaders in the cosmetic arena. For the moment, the entire cosmetics industry has its eyes focused on Revlon and the Max Factor division. Procter & Gamble is buying a piece of the conglomerate, which will operate under P&G's Noxell division.

This should strengthen Noxell's position, which already has successes with Cover Girl and Clarion cosmetics and Noxema skin care products.

A visible trend in 1990 was the passionate concern for the environment that influenced H&BA retailers. A new crop of merchandise dubbed safe and natural, in both cosmetics and cleansers, began appearing more regularly at discount stores last year.

Kmart's newest stores feature extensive merchandise areas promoting environmental products. As more manufacturers create "green" goods, the shelf space for these items is sure to increase.

As in apparel, children grew to new prominence in this market. Licensed characters targeted to youngsters found their way onto, among other things, toothbrushes, toothpaste, bandages and lotions. Target was one of the full-liners to devote an endcap to the children's category.

This is another category that appears to be on a growth path. It is no longer defined solely by licensed characters. Manufacturers that market everything from sunscreen to shampoos are focusing on making even the younger customers brand aware. For instance, Coppertone offers a sunscreen product for children under its own label, Water Babies.

Brands battled for shelf space in the razor area in 1990. Gillette, which introduced its Sensor razor in 1989, had new competition in Tracer, a razor system from Schick.

There had been reports that Gillette had not gotten the market share it expected for the Sensor. The company puts its share at about 11%, but this spring it embarked on coupon and trial programs for consumers in an attempt to expand its base.

Disposables continue to outsell permanent shaver systems. Multipack promotions helped Bic and Wilkinson capture a part of this market. Many of the razor companies also marketed disposables in fashion colors because studies indicate women prefer them.

A number of new fragrances were introduced. Claude G and Rouge were among the companies that touted copycat fragrances.

Among the successful perfumes was Max Factor's California, which uses Jaclyn Smith as a spokesperson. The firm recently introduced California For Men, which is likely to shift the order of the top traditional men's colognes and fragrances.

Health & Beauty Aids
$6.58 Billion

Full-Line Discounters	$6.58B
Catalog Showrooms	—
Specialty Discounters	—
Full-Line Discount Store Productivity	
Sales	$6.58B
Sales Per Store	$871,523
Dept. Size	3,300 Sq. Ft.
Sales Per Sq. Ft.	$264.10
Turns	5.5
Initial Markup	22.92%
Gross Margin	18.9%

Source: DSN *research*

Deep discount drug chains *like Phar-Mor have followed retailers' leads and had sales increases of 15% and over.*

Department upgrades *have helped full-line discounters capture an increased share of sales in 66 H&BA categories in 1990.* (DSN photos)

Periodically, MILES Inc. offers performance discounts and allowances and/or other promotional funding for displaying, advertising and promoting our product lines. Point-of-sale and display materials, e.g., dump bins, channel strips, wags, etc., are available. These offers are practical and useable by all retailers regardless of size. Specific brands included are:

ALKA-SELTZER® FLAVORED ALKA-SELTZER®
EXTRA STRENGTH ALKA-SELTZER®
ALKA-SELTZER® ADVANCED FORMULA

ALKA-MINTS® Chewable Antacid

ALKA-SELTZER PLUS® Cold Medicine
ALKA-SELTZER PLUS® Night-Time Cold Medicine
ALKA-SELTZER PLUS® Sinus Allergy Medicine
ALKA-SELTZER PLUS® Cold & Cough Medicine

BACTINE®

DOMEBORO®

MYCELEX® OTC

MILES® NERVINE

ONE-A-DAY® Multivitamin/Multimineral Supplements

FLINTSTONES™ Multivitamin/Multimineral Supplements

BUGS BUNNY® Sugar Free Multivitamin/Multimineral Supplements

For details, contact your Miles Sales Representative or wholesaler, or write:

RICHARD D. BUCHANAN
Manager, Trade Planning and Analysis
Consumer Healthcare Division

MILES
1991
Miles Inc.
Consumer Healthcare Division
Elkhart, IN 46515

Preschool Category Grows at Discount Level

It's been a tumultuous year in the toy business, punctuated by a national recession, war, bankruptcies, acquisitions and the lack of a blockbuster toy.

Teenage Mutant Ninja Turtles action figures topped many retailers lists in 1990 as their biggest seller. And while action figures in general and the entire Ninja Turtle license continue to be strong at retail, they are no longer blockbusters.

Neither is Nintendo, a perennial favorite.

By most accounts, 1990 and at least the first half of 1991 appear "off." Industry toy sales were flat last year, and sales and earnings for many retailers—including No. 1 Toys "R" Us—as well as manufacturers, continue to be depressed.

So far, no toy is emerging on the "must have" list of most families with children.

But things could change rapidly, particularly now that the tumult of the first half of the year is past. After all, the Christmas selling season is just four months away, and the Persian Gulf war and the recession are over. And, according to national statistics and independent economists reports, consumers are beginning to loosen their purse strings.

tractor
38.97

Harts, Lima, Ohio: Toys for preschoolers, *like this tractor from Little Tikes, is an expanding category at discounters.* (DSN photo)

Toys $10.85 Billion	
Full-Line Discounters	$4.69B
Catalog Showrooms	$0.60B
Specialty Discounters	$5.56B
Full-Line Discount Store Productivity	
Sales	$4.69B
Sales Per Store	$621,192
Dept. Size	2,600 Sq. Ft.
Sales Per Sq. Ft.	$238.92
Turns	3.2
Initial Markup	33.84%
Gross Margin	26.7%

Source: DSN research

If introductions at the 1991 Toy Fair are any indication of what the year holds in store, the coming holiday season should be chock full of TV dolls, plush toys, board games, play sets, action figures, race cars and trading cards. Nintendo's 16-bit games should be available by the end of the year and some surprise winners like last year's Go Go My Walking Pup, may appear to spice things up.

Radio-controlled cars and trucks, World Wrestling Federation toys, and various licensed goods bearing the monikers and images of Robin Hood, The Little Mermaid and The Rocketeer, could help charge the weary toy business this year, as could patriotic themes bearing the highlights of the Persian Gulf war.

Toys with environmental themes, such as Toxic Crusaders by Playmates and Swamp Thing by Kenner may also hit a nerve this year as recycling, conservation and environmental concerns permeate many households.

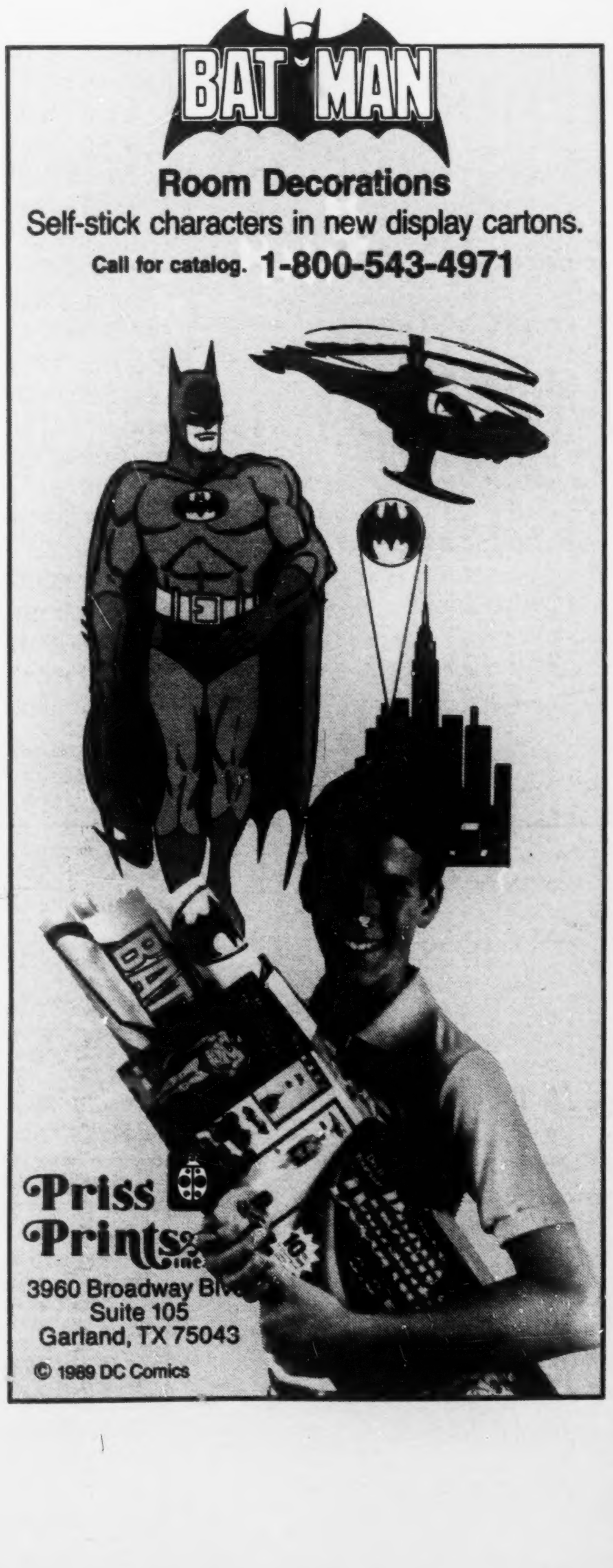
Dolls, especially popular during 1990, may find 1991 as receptive to their individual charms as they were a year ago. Already, the Baby Face collection by Galoob has found a ready audience, and Mattel is expanding on its popular Magic Nursery dolls with an extended line of products. Add to that Hasbro's Cabbage Patch collection and Mattel's Barbie line, plus a host of other introductions, and dolls could be a winner again in 1991.

The preschool category offers real opportunities for manufacturers and retailers alike, now that a baby boomlet is firmly in place. Kmart, for example, is seizing the moment with a greatly expanded selection of preschool toys, including a new 45-foot section by Little Tikes.

At Toy Fair, introductions and line expansions abounded in the preschool category, including electronics and computer-oriented toys by Playtime and Playskool. Lego, too, is focusing its attention this year on expanding the penetration of its Duplo line, chunky building blocks for little hands.

CTW
SESAME STREET®
Room Decorations
Self-stick characters in new display cartons.
Call for catalog. 1-800-543-4971
Priss Prints inc.
3960 Broadway Blvd.
Suite 105
Garland, TX 75043
© 1990 Jim Henson Productions, Inc.

minnie 'n me
Room Decorations
Self-stick characters in new display cartons.
Call for catalog. 1-800-543-4971
Priss Prints inc.
3960 Broadway Blvd.
Suite 105
Garland, TX 75043
© The Walt Disney Co.


BATMAN
Room Decorations
Self-stick characters in new display cartons.
Call for catalog. 1-800-543-4971
Priss Prints inc.
3960 Broadway Blvd.
Suite 105
Garland, TX 75043
© 1989 DC Comics

Walking Shoes, In-Line Skates Setting the Pace

For compelling evidence that aging baby boomers are, indeed, looking for less taxing alternatives to running and jogging, look no further than the 21% jump last year in sales of walking shoes.

With sales of an estimated $1.51 billion in 1990, walking shoes should rise 12% more in 1991, projects the National Sporting Goods Association in its annual retail sales survey.

Walking shoes thus scored the largest percentage gain last year of all 57 categories of sports apparel, athletic shoes and equipment the NSGA tracks and are projected to rise 12% more this year for the largest percentage gain in '91. Next to swimwear, walkers last year produced the largest dollar volume in the 31 categories of apparel and footwear, but swimwear declined 3% in 1990 to an estimated $1.78 billion and sales are projected to remain flat this year.

Bicycling, another low-impact aerobic alternative, retained its place as the dollar volume leader in equipment, gaining 7% to $2.42 billion from $2.26 billion in 1989. The NSGA survey projects a 5% gain for '91. Emphasizing the increasing importance of bikes, Supershow/91 added a special bike show of 20,000 square feet to its roster of 16 shows within a show.

In bicycles, mountain bikes virtually have taken over the mass market from conventional 10-speed bikes. With the majority of mountain bikes being ridden on city streets, despite their name, they represent about 80% of unit sales at some chains.

Firearms and hunting, after breaking the $2 billion mark in 1989, showed a respectable 7% gain to $2.29 billion in 1990, with projected gains slowing to 3% this year. Hunting apparel and boots added $1.1 billion more in sales last year.

Muzzle loaders and black powder accessories are a new firearms line that Sports Authority, Kmart's specialty sporting goods chain, added last year. Black powder and archery are the fastest growing categories for Sports Authority.

Sporting Goods $6.50 Billion	
Full-Line Discounters	$4.00B
Catalog Showrooms	$0.60B
Specialty Discounters	$1.90B
Full-Line Discount Store Productivity	
Sales	$4.00B
Sales Per Store	$529,801
Dept. Size	2,550 Sq. Ft.
Sales Per Sq. Ft.	$207.77
Turns	2.4
Initial Markup	32.99%
Gross Margin	26.7%

Source: DSN research

Another indication that firearms remain a solid category: attendance at the SHOT Show in Dallas this January rose 19%, while exhibit space gained 27% from 1990.

Exercise equipment produced modest sales growth of 2.7% last year to an estimated $1.8 billion, with a projected growth of 2% this year.

But within the category, in-line roller skates have shot from nowhere over the past two years and should generate sales of at least $150 million, or double the $75 million in 1990. Some estimates of 1991 sales go as high as $300 million. Retailers expect to sell at least 1 million units in 1991 as vendors scrambled to keep their shelves stocked.

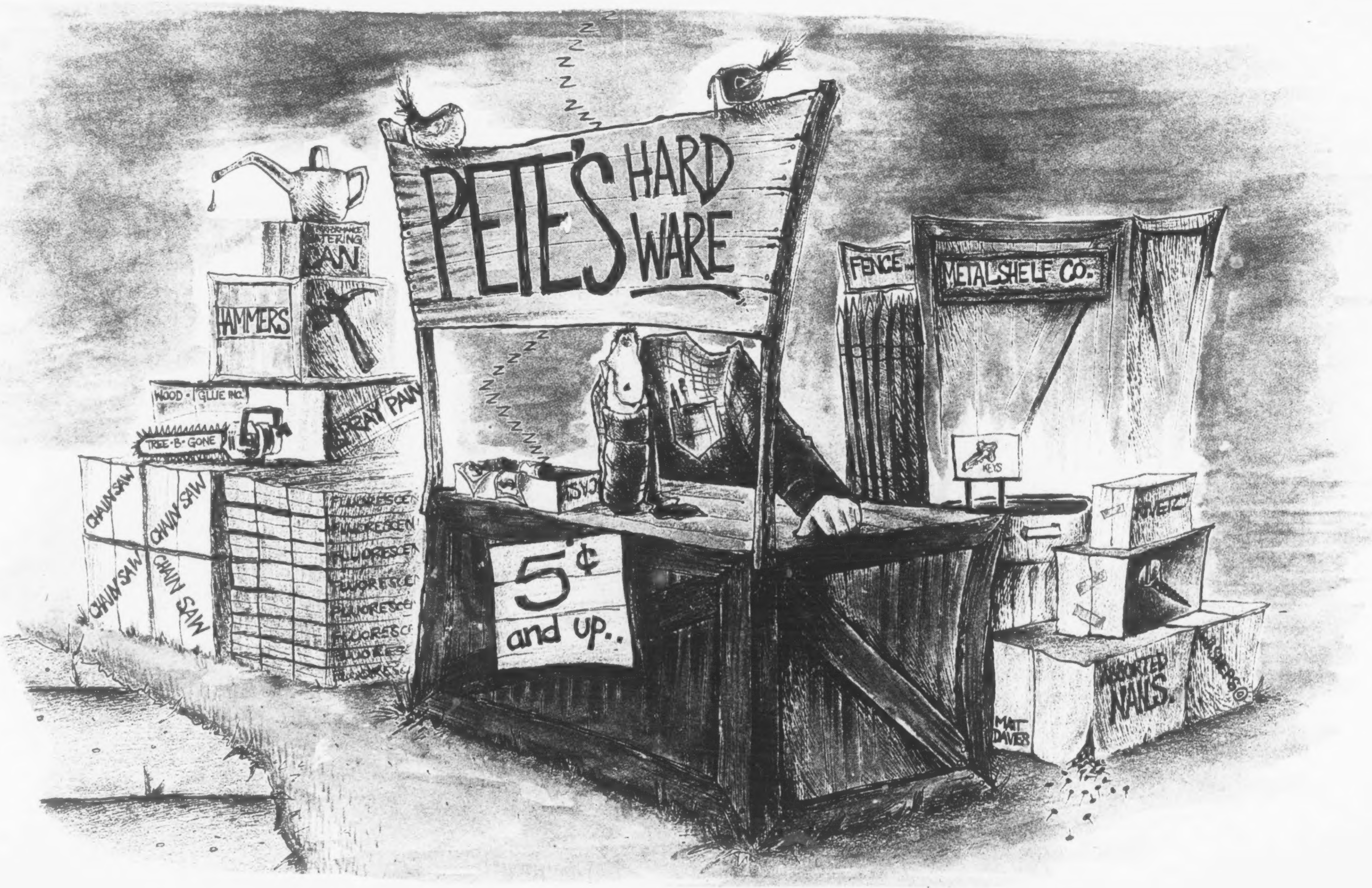
Because of the phenomenal growth of in-line skates, which Rollerblade pioneered, the Sporting Goods Manufacturers Association plans to start tracking shipments as a separate category next year.

With the introduction of models that retail for as low as $38, in-line skates have burst onto the mass market scene.

Auguring well for the future of in-line skates, skaters are fairly evenly split between males, 51.5%, or 2.24 million, and females, 48.1%, or 2.07 million. And skaters are young, with only an estimated 9.4% ages 35 and older. Youngsters ages 12 through 17 provide the largest block of skaters, 31.3%.

Golf equipment, yet another low-impact alternative that's easier on knees and elbows, rose 3% to $1.2 billion in 1990, fourth in dollar volume after bikes, firearms and exercise equipment. Golf will increase by 4% in '91, the NSGA survey predicts.

(Continued on page 75)



If all your business needed was hardware products, you wouldn't need the National Hardware Show®

Anyone can stock up on hardlines and call themselves open for business. But not everyone can be successful at it.

In 1991, to be successful, you've got to do more than just stock your store. You need support from your vendors. Merchandising and promotion that creates turnover. Suppliers who will work with *your* inventory needs and show you how to get more profit from your customers.

At the National Hardware Show, you'll meet the suppliers who will support you. Come here, and you'll not only find what sells, but how to sell it.

You'll find the best-selling hardlines from the world's leading suppliers. But NHS is more than hardlines. It's allied lines to help you increase sales. Housewares, automotive, lawn and garden and building supplies. Over 3,000 companies and 14½ miles of exhibits in all.

NHS is technology, like EDI for inventory management and control. It's valuable seminars on retail strategies and management techniques to get the full potential from your operation. It's new products, display ideas and point-of-purchase programs. It works for over 70,000 retailers, wholesalers and distributors who choose this show to meet their product and merchandising needs. It will work for you too.

NHS. It's everything you need to be more successful. And it's the only show you need to attend.

REGISTER NOW AND SAVE $20.00!

Call Customer Service today (203) 964-8287 for your free show admission package. Or fax your request to (203) 352-8433. On-site admission will be $20.00.

THE NATIONAL it's not just HARDWARE SHOW®

HELD IN CONJUNCTION WITH

HARDWARE INDUSTRY WEEK®

August 11-14, 1991
McCormick Place Complex, Chicago, IL

Produced and Managed by ASSOCIATION Expositions & Services

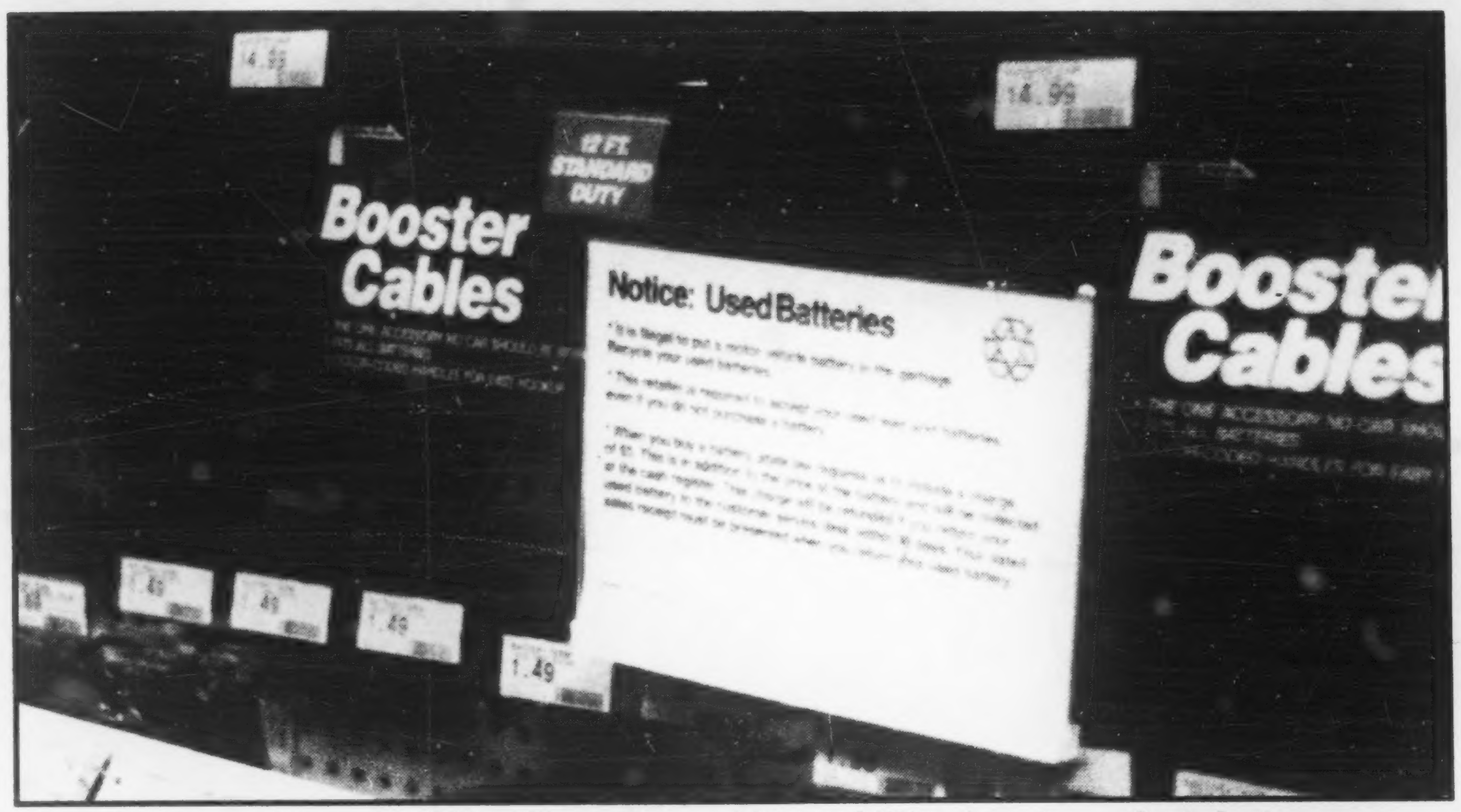
Sponsored and Conducted by the American Hardware Manufacturers Association

© Reed Publishing (USA) Inc., 1991. All rights reserved

YI

ANNUAL REPORT: PART II/AUTOMOTIVES

Brand Name Tires on Roll at Mass Merchants



Target, Eagan, Minn.: Full-line discounters sold $5.76 billion in auto products last year.

Automotives $10.44 Billion	
Full-Line Discounters	$5.76B
Catalog Showrooms	$0.10B
Specialty Discounters	$4.58B
Full-Line Discount Store Productivity	
Sales	$5.76B
Sales Per Store	$762,914
Dept. Size	2,300 Sq. Ft.
Sales Per Sq. Ft.	$331.70
Turns	3.6
Initial Markup	30.41%
Gross Margin	24.2%

Source: DSN research

Against the backdrop of emerging environmental issues and continued development of the automotives warehouse concept, U.S. branded tires have assumed a bigger merchandising role at discount and automotive specialty chains.

At the expense largely of independent tire dealers, warehouse clubs, for example, captured a 6% market share of replacement passenger tires in 1990, or 9.3 million tires, according to one estimate. In comparison, the market share for warehouse clubs was 3%, or 4.3 million units, just four years earlier.

Sam's Club, for instance, stocks Michelin, Pirelli and General national brands.

Last year, Kmart dropped its private label tires in favor of Uniroyal and Bridgestone. Kmart, however, continues to weed out marginal auto service centers, whittling the count down to about 1,050 out of some 2,350 stores.

In contrast, Wal-Mart is selectively adding auto service centers, with around 425 out of 1,600 stores offering auto service, including mounting General brand tires.

But the lack of general automotive service is no bar to the growing presence of general merchandise warehouse clubs, auto warehouse chains, such as Auto Parts Club, and hypermarkets, such as Carrefour, which offer auto service limited to tire mounting and balancing.

The advent of the automotives warehouse concept, with emphasis on auto service, also bolsters tire merchandising.

Although Auto Giant, which expected to be operating 14 warehouse units by year-end, is stalled at three units by a cash squeeze, the warehouse concept got a powerful boost last month when Canadian Tire Corp. opened the first outlets of its new Auto Source warehouse chain.

Armed with a $192 million tax loss carryforward from its failed White Auto Stores chain, CTC appears well equipped to carry through on plans to open 10 to 12 such units a year.

CTC's first Auto Source, Indianapolis, offers a massive presence in brand tires, Michelin, Firestone, B.F. Goodrich, Pirelli, Yokohama and Armstrong. It features tires on a mezzanine that runs around three sides of the 47,000-square-foot store.

And automotive warehouse chains, such as Auto Parts Club, which soon will be operating 10 units in California, Arizona and Texas, has become a major factor in tires.

In contrast to the trend toward auto supermarkets, Sears has shrunk the size of its prototype auto parts departments and service centers. As its new store in Freehold, N.J., illustrates, Sears has settled on continuing to offer full auto service but in 13 bays instead of 20. Auto parts and accessories, one of seven power departments for Sears, also must get by with less space.

Enter the environmental issue. At least 16 states—with nine more in line—require retailers to collect taxes or fees on tire sales and hand the money over for disposing of the mountains of junk tires that have piled up.

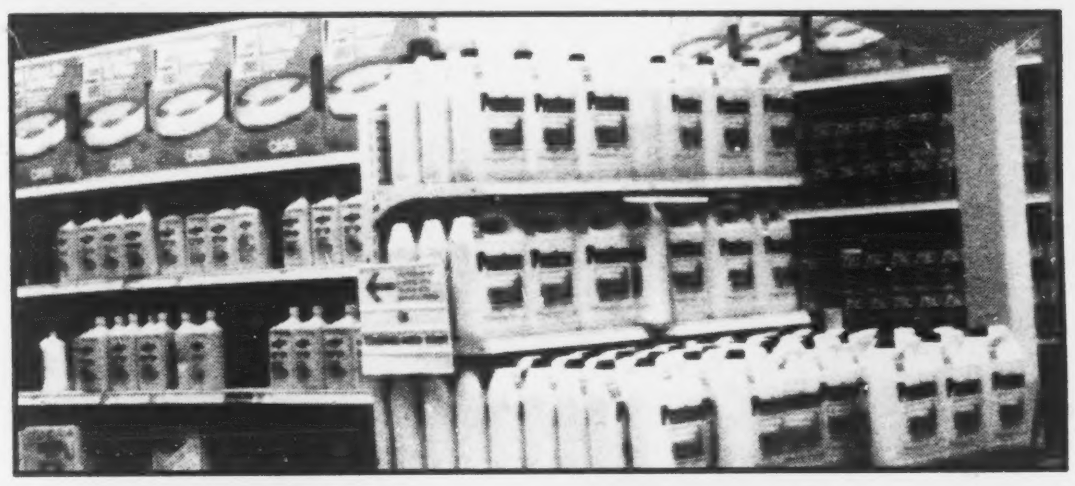
In addition to any state disposal tax, Pep Boys—Manny, Moe & Jack charges customers 50 cents a tire to cover its cost of disposing of their old tires. Pep Boys has completed its move away from its previous reliance on private label tires to stock Michelin, Bridgestone, Uniroyal, Goodyear and Futura.

As the number of corner service stations and discounter service centers continues to decline, auto service revenue for Pep Boys grew to 12.5% of its total in 1990 from 11.9% in 1989 and 10.6% in 1988.

Used motor oil recycling, however, threatens to have the most environmental impact. In anticipation of federal legislation, a number of chains have jumped into oil recycling. They include Chief Auto, which pioneered oil recycling, Advance Auto and Northern Automotive. In addition, Wal-Mart and AutoZone are testing it.

Although oil recycling costs about $100 a month per store, chain executives say the cost is minimal compared to the marketing edge it gives them in customer goodwill. As a bonus, one chain finds that it loses a little less on oil, a traditional loss leader, because its oil recycling program allows it to bump up margins.

In another environmental impact on aftermarket merchandising, chains will have to stop selling small cans of Freon to DIY customers by November 1992 and start complying with coming federal regulations to prove they sell the ozone depleting air-conditioning gas only to professional installers. And as chains such as Kmart and Pep Boys already have started to do, all chains that service auto air conditioners will have to buy Freon recycling equipment by Jan. 1.



WE ARE PLEASED TO ANNOUNCE

TO ALL RETAILERS:

Clairol Incorporated Consumer Products Division, periodically offers, to all competing retailers on a proportionately equal basis, promotional allowances for displaying, advertising and promoting our product lines. Clairol also provides appropriate advertising slicks, point-of-sale and display materials to be used in promoting the sale of such Clairol products as:

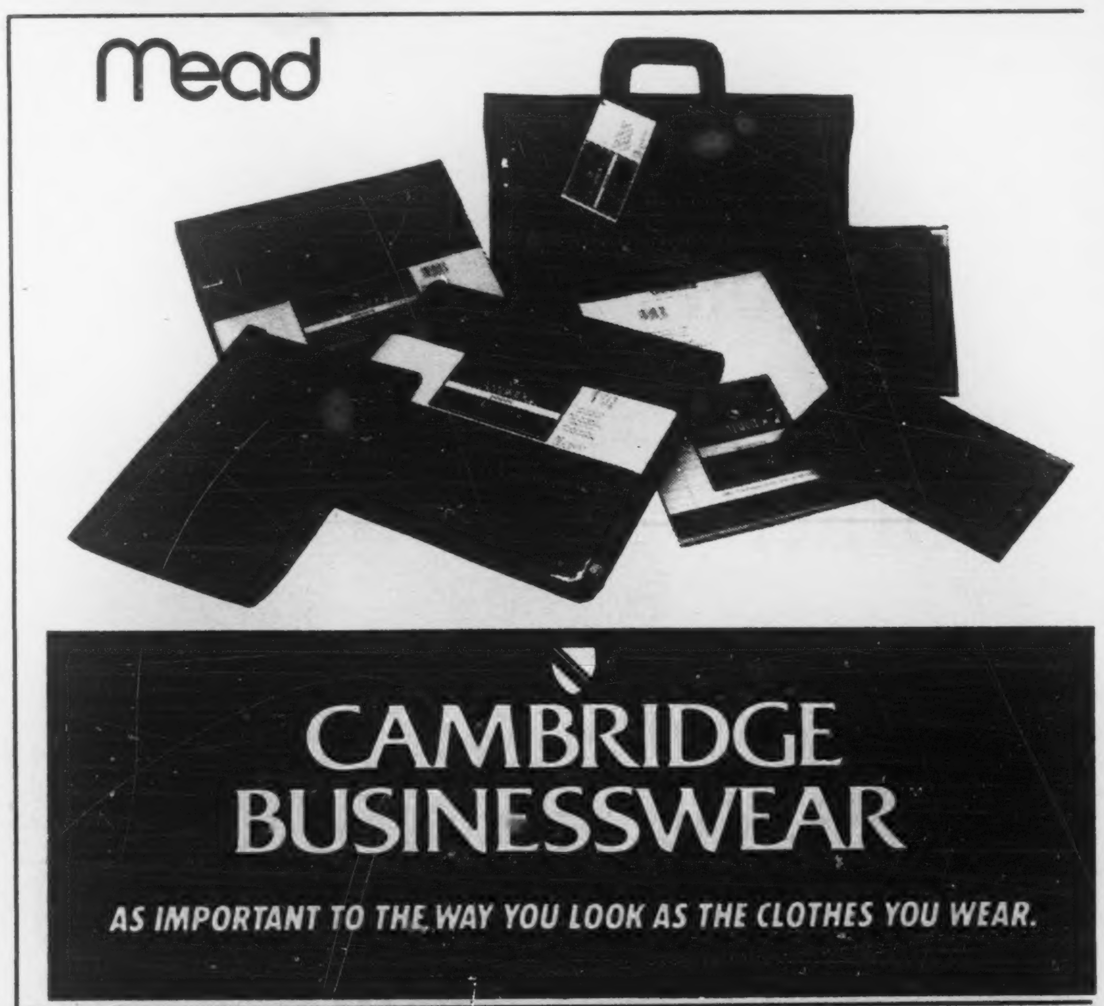
■ Nice 'n Easy®
■ Ultress®
■ Loving Care®
■ Miss Clairol®
■ Frost & Tip®
■ OPTION® For Men
■ Final Net®
■ ClairMist®
■ condition® Hair Care Line
■ Vitalis® Hair Care Line For Men
■ Sea Breeze® Skin Care Line
■ Infusium 23®

To receive complete details on how you may obtain these promotional allowances or point-of-sale materials, please contact your Clairol Sales Representative or wholesaler, or write to:

CLAIROL INC.
TRADE MARKETING DEPT. ■ 345 PARK AVENUE — ROOM 4-11A
NEW YORK, N.Y. 10154 ■ ATTN: REGINA CARAGLIANO

We invite your inquiries and look forward to an opportunity to serve you and your customers.

CLAIROL INCORPORATED



CAMBRIDGE BUSINESSWEAR
AS IMPORTANT TO THE WAY YOU LOOK AS THE CLOTHES YOU WEAR.

AMERICA'S CAN OPENER FOR OVER 50 YEARS

Call [illegible]
Swing-A-Way, St. Louis, MO 63116

Home Products Category is Hot in Off Year

at&t
zenith
gemini
emerson
panasonic
kodak
ALUE!
9.99
SAVE!
singles
top hits
compact disc

***Consumer electronics** is becoming more and more important, prompting retailers to upgrade their merchandise with more sophisticated goods.*

(Continued from page 37)

- Environmentally-friendly products and those that conserve energy and reduce waste are gaining importance in the hardware department at discounters.

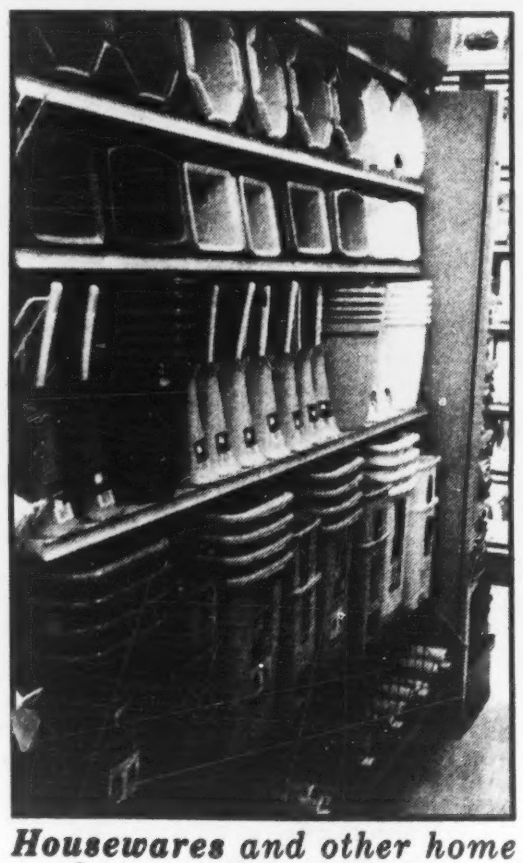
Products like mulching mowers, chippers, composting equipment, recycling bins, lawn chemicals and more energy-efficient light bulbs, particularly florescents and halogen for interior use and passive solar for outdoors, are bringing in a fair share of hardware department dollars these days.

Beyond that, a consolidation of vendors within the hardware department at discount stores, more brand name products, and more emphasis on simple do-it-yourself projects are the major trends coming into play in mass market hardware retailing.

- Like consumer electronics specialty chains, retailers were hampered by the recession and the lack of any truly new products in the market. But they seem to have used this period of inactivity to upgrade their selections and move into technologies that were thought to be too advanced for their customer base.

CE is rapidly becoming more and more important to full-line discounters. To wit, Kmart has installed a Sharp high-tech 100-inch projection television in at least one of its new stores, Wal-Mart is testing 150 Home Office departments and Fishers Big Wheel is among several chains re-accentuating the category.

In place of the more commonplace array of off-brand boomboxes, inexpensive color televisions and cheap telephones, discounters today are making their money in relatively sophisticated areas, including pcs, video software, fax machines, personal printers, compact disc players and full-feature telephones to build traffic, consumer loyalty and, of course, sales.



***Housewares** and other home product categories will generate $26.7 billion this year.* (DSN photos)

- Discounters continued increasing market share for H&BA products in 1990 and are picking up pace in the category at some expense to drug stores.

Full-line discounters won points by offering variety and improving the look of the department and by increasing space. To some degree, discounters also upgraded their merchandise mix. Perhaps the boldest example was Wal-Mart's offering of Estee Lauder products. The department store brand was displayed in a counter case at one of the newer Wal-Mart prototypes.

- So far no toy is emerging on a "must have" list of most families with children.

But things could change rapidly, particularly now that the tumult of the first half of the year is past. The Christmas selling season is just four months away, and the Persian Gulf war and the recession are over. And, according to national statistics and independent economists, consumers are beginning to loosen their purse strings.

If introductions at the 1991 Toy Fair are any indication of what the year holds in store, the coming holiday season should be chock full of TV dolls, plush toys, board games, play sets, action figures, race cars and trading cards. Nintendo's 16-bit games should be available by the end of the year and some surprise winners like last year's Go Go My Walking Pup, may appear to spice things up.

Soft Lines Sales Leaders

Chain	Soft Lines Sales (In Millions)
Kmart	$8,670
Wal-Mart	7,547
Sears	6,596
Target	3,272
Marshalls	1,921
T.J. Maxx	1,520
Hills	1,070
Burlington Coat Factory	892
Fred Meyer	818
Ross Stores	804
Bradlees	797
Kids "R" Us	580
Caldor	565
Venture	540
Rose's	458
Herman's	422

Source: DSN research

Store Productivity Leaders

Chain	1990 Sales (In Millions)	Sales Per Store (In Millions)
BrandsMart USA	$134	$134.0
Tops Appliances	380	126.6
Bigg's	350	87.5
Carrefour	84	84.0
Price Club	5,300	80.3
Fedco	701	77.8
American Fare	200	66.6
Costco	4,100	59.4
Wal-Mart SuperCenter	530	58.8
Meijer	3,000	52.6
Price Savers	850	50.0
Ann & Hope	300	50.0
Twin Valu	100	50.0
J & R Music World	95	47.5
Sam's	6,579	44.4
BJ's Wholesale Club	1,150	42.5
Alexander's	460	38.3
Auchan	75	37.5

Source: DSN research

Getting a Facelift in 1991

Chain	Total Store Count	No. of Stores To Be Remodeled
Kmart	2,205	500
Silo	235	50
Dollar General	1,461	35
Chief Auto	518	30
Newmark & Lewis	98	20
Costco	69	20
Quality Stores	63	20
Bill's Dollar Stores	555	18
Bradlees	130	17
Office Depot	122	15
Luskin's	34	15
Oshman's	190	12
Caldor	122	12
Best Buy	58	10
Burlington Coat	159	8

Source: DSN research

POS Leaders

Chain	1991 Store Count	No. of Stores With Scanning
Kmart	2,205	2,200
Wal-Mart	1,573	1,573
Sears	863	863
Northern Auto	850	850
AutoZone	553	553
Western Auto	520	520
Chief Auto	518	518
Dress Barn	502	502
Ames	455	455
Toys "R" Us	451	451
Target	420	420
Marshalls	386	386
Pep Boys	313	313
WSR Group	299	280
Champs	251	202
Circuit City	192	192
Ross Stores	185	185
Oshman's	190	190
Rose's	256	180
Kids "R" Us	164	164

Source: DSN research

Wal-Mart Passes Kmart As Largest Discounter

We all knew it would happen, and it did. Last year Wal-Mart stores took the lead over Kmart as the largest U.S. discounter. The giant had already passed Kmart as the profit leader back in 1989, when Kmart had suffered an 8.2% drop in profits and Wal-Mart's profits had surged by 16% over the previous year.

The sales success is especially notable in light of the relative size of the two chains; Wal-Mart, with 1,573 units at the end of 1990 was operating almost 30% fewer stores than Kmart, which had 2,205 locations.

Can Wal-Mart sustain this dominance as its store count rises and its market terrain extends into the strained economy of the Northeast? Through the years, Wal-Mart has put numerous management information systems in place to prevent headquarters and the well-orchestrated distribution pipeline from losing touch with the pulse of store operations and the Wal-Mart customer.

Kmart is still the largest chain when measured by store count and selling space, and is likely to keep this lead unless there is a major merger or a sudden need for it to close stores.

Projected store counts for the start of 1992 indicate that some of the larger chains are beginning to run out of suitable markets for expansion, while others have decided to focus on improving their existing store base during the fragile economic conditions of the early '90s. The exception among the larger chains is Wal-Mart, which reportedly plans to open 200 stores during the current calendar year, substantially higher than other store count leaders such as Kmart at 60 stores, Dollar General at 15 units and Kay-Bee at 10 locations.

Last year was a difficult year to achieve operating profits. The top listing is littered with chains reporting declines in operating income as steep as 37% at Hills and nearly 20% at longtime consumer electronics leader, Circuit City.

The major bottom line success stories during 1990 included discounter Fred Meyer, which soared from earnings under $1 million in 1989 to operating profits in excess of $67 million in 1990. Television retailer Home Shopping Network upped operating profits seven-fold; and two warehouse club operators, Costco and Wal-Mart's Sam's Club division reported profit increases of 68% and 31%, respectively.

Sales Volume Leaders

Chain	Code	Sales (In Millions) 1990	1989	1988	% Change '89-'90
Wal-Mart	DDS	$25,156	$20,702	$16,820	21.5
Kmart	DDS	24,772	24,406	22,940	1.5
Sears	SMR	19,400	19,500	NA	(0.5)
Target	DDS	8,180	7,520	6,331	8.8
Sam's	CLUB	6,579	4,841	3,829	35.9
Price Club	CLUB	5,300	4,900	4,053	8.2
Montgomery Ward	SMR	5,128	5,028	4,865	2.0
Toys "R" Us	TOY	4,180	3,640	3,647	14.8
Costco	CLUB	4,100	2,900	1,989	41.4
Service Merchandise	CAT	3,400	3,300	3,093	3.0
Ames	DDS	3,100	4,800	3,363	(35.4)
Meijer	HYPER	3,000	2,800	2,500	7.1
Fred Meyer	DDS	2,480	2,284	2,070	8.6
Circuit City	CE	2,380	2,100	1,721	13.3
Pace	CLUB	2,295	1,700	1,271	35.0
Marshalls	APP	2,183	1,939	1,753	12.6
Hills	DDS	2,140	2,075	1,670	3.1
T.J. Maxx	APP	1,900	1,700	1,500	11.8
Best Products	CAT	1,800	2,100	2,048	(14.3)
Bradlees	DDS	1,771	1,751	2,107	1.1

NA: Not available
(   ) Loss

Source: DSN research

Store Count Leaders

Chain	Code	Number of Stores 1/91	1/90	1/89	Proj. 1/92
Kmart	DDS	2,205	2,194	2,105	2,265
Family Dollar	DOLLAR	1,755	1,680	1,350	NA
Wal-Mart	DDS	1,573	1,402	1,114	1,733
Dollar General	DOLLAR	1,461	1,378	1,302	1,476
Kay-Bee	TOY	1,116	777	676	1,126
Sears	SMR	863	847	NA	878
Northern Automotive	AUTO	850	828	478	825
Hit or Miss	APP	574	546	485	579
Bill's Dollar Stores	DOLLAR	555	500	340	555
AutoZone	AUTO	553	520	396	593
Chief Auto Parts	AUTO	518	503	465	535
Western Auto	AUTO	504	468	394	544
Dress Barn	APP	502	436	302	577
Ames	DDS	455	682	488	455
Toys "R" Us	TOY	451	404	350	498
Target	DDS	420	401	317	463
T.J. Maxx	APP	393	352	265	438
Marshalls	APP	386	347	286	411
Clothestime	APP	384	332	338	399
Service Merchandise	CAT	346	334	309	361

NA: Not Availeble

Source: DSN research

Selling Space Leaders

Chain	Code	Number of Stores 1/91	Proj. 1/92	Average Store Size (In 000 Sq. Ft.)	Total Footage (In 000 Sq. Ft.)
Kmart	DDS	2,205	2,265	65	143,325
Wal-Mart	DDS	1,573	1,733	71	111,683
Ames	DDS	455	455	80	36,400
Target	DDS	420	463	99	41,580
Montgomery Ward	SMR	343	NA	66	22,638
Toys "R" Us	TOY	451	498	46	20,746
Hills	DDS	214	154	82	17,548
Service Merchandise	CAT	346	361	50	17,300
Fred Meyer	DDS	120	122	129	15,480
Chief Auto Parts	AUTO	518	535	32	16,576
Pay Less NW	DRUG	321	355	52	16,692
Sam's	CLUB	148	185	115	17,020
Family Dollar	DOLLAR	1,755	NA	7	12,285
Meijer	HYPER	57	62	200	11,400
Rose's	DDS	256	237	43	11,008
Caldor	DDS	122	126	90	10,980
Marshalls	APP	386	411	30	11,580
Best Products	CAT	195	171	50	9,750
Bradlees	DDS	130	130	72	9,360
T.J. Maxx	APP	393	438	25	9,825

NA: Not Available

Source: DSN research

Profit Leaders

Chain	Code	Sales (In Millions) 1990	Earnings[1] (Loss) (In Millions) 1990	1989	Earnings Percent Change
Wal-Mart	DDS	$25,156	$1,872.0	$1,677.0	11.63%
Kmart	DDS	24,772	1,307.0	1,314.0	(0.53)
Target	DDS	8,180	466.0	449.0	3.79
Toys "R" Us	TOY	4,180	438.9	455.7	(3.69)
Service Merchandise	CAT	3,400	224.4	212.8	5.45
Price Club	CLUB	5,300	199.4	181.5	9.86
Sam's	CLUB	6,579	170.0	130.0	30.77
Marshalls	APP	2,183	165.0	167.0	(1.20)
T.J. Maxx	APP	1,900	161.0	140.0	15.00
Montgomery Ward	SMR	5,128	153.0	151.0	1.32
Costco	CLUB	4,100	93.0	55.5	67.57
ShopKo	DDS	1,737	92.3	86.3	6.95
Circuit City	CE	2,380	91.4	113.8	(19.68)
Caldor	DDS	1,766	79.6	63.5	25.35
Pay Less NW	DRUG	1,642	79.0	72.0	9.72
Pep Boys	AUTO	885	77.4	69.0	12.17
Home Shopping Network	ELE	1,008	74.7	9.2	711.96
Hills	DDS	2,140	67.7	108.1	(37.37)
Fred Meyer	DDS	2,480	67.5	0.8	8,337.50
Bradlees	DDS	1,771	62.0	55.0	12.73

[1] *Earnings: Operating income (profit/loss from continuing operations, before taxes and extraordinary items), unless otherwise indicated.*
(   ) Loss

Source: DSN research

Office Superstores Post Largest Sales Increases

Office superstores comprised nearly half of the list of chains reporting the largest percentage increases in sales during 1990.

Full-line discount department stores were glaringly absent from the top percentage sales gainers. The retail market is, however, open to category killers like Sports Unlimited at one end of the spectrum, and at the other end, merchandise generalists that offer one-stop shopping for food and all general merchandise categories like American Fare and Wal-Mart's SuperCenters, based on the leading sales percentage change listing.

Nonetheless, more mature formats like full-line discounters, catalog showrooms and dollar stores were among retailing's top profit gainers. Venture, Target, Caldor, Family Dollar, Service Merchandise and Bradlees reported some of the best operating improvements by focusing on their individual strengths.

At Family Dollar, for instance, it was the development of extensive high-margin private label programs and zone pricing that led to a profits surge. At Caldor, a facelift to existing stores including a new color scheme and logo led to both a 13% increase in sales and a 25% jump in profits.

The enviable sales percentage growth of the office superstores were fueled primarily by new store openings. In contrast, full-line discounters like Target, Kmart and Venture, were clearly generating the lion's share of their sales gains by improving operations at existing stores, based on their presence on the dollar sales growth listing and their absence from the top store count growth roster.

Regional chains struggling with competition from national retailers could benefit from studying Venture. The regional full-line discounter came close to tripling its operating income last year, despite sharing markets with Kmart, Wal-Mart and Target. Venture, with only a fraction of Kmart's 2,205 units, actually surpassed Kmart, and other significantly larger retailers in terms of its dollar sales growth last year.

Caldor and Bradlees can expect Wal-Mart to be at their doorstep, probably within the next year. No other regional discount store chains—with the exception of a handful of other Northeast companies like Ann & Hope and Stuarts—have been as insulated from national chain competition.

Top Chains in Dollar Sales Growth

Chain	Code	Sales (In Millions) 1990	1989	% Change	Sales Growth (In Millions)
Wal-Mart	DDS	$25,156	$20,702	21.5%	$4,454
Sam's	CLUB	6,579	4,841	35.9	1,738
Costco	CLUB	4,100	2,900	41.4	1,200
Target	DDS	8,180	7,520	8.8	660
Pace	CLUB	2,295	1,700	35.0	595
Toys "R" Us	TOY	4,180	3,640	14.8	540
Price Club	CLUB	5,300	4,900	8.2	400
Venture	DDS	1,420	1,045	35.9	375
Kmart[1]	DDS	24,772	24,406	1.5	366
QVC Network	ELE	776	453	71.2	323
Office Depot	OFFICE	626	314	99.4	312
Wal-Mart SuperCenter	HYPER	530	220	140.9	310
Circuit City	CE	2,380	2,100	13.3	280
Marshalls	APP	2,183	1,939	12.6	244
Home Shopping Network	ELE	1,008	774	30.2	234
Kay-Bee	TOY	927	724	28.1	203
Meijer	HYPER	3,000	2,800	7.1	200
T.J. Maxx	APP	1,900	1,700	11.8	200
Caldor	DDS	1,766	1,567	12.7	199
Fred Meyer	DDS	2,480	2,284	8.6	196

[1] *Kmart: U.S. Kmart stores only; Sales include 49% of Meldisco footwear departments.*

Source: DSN research

Top Chains in Percentage Sales Growth

Chain	Code	Sales (In Millions) 1990	1989	1988	% Change '89-'90
OW Office Warehouse	OFFICE	$ 80	$ 23	$ 0	250.2%
Office Max	OFFICE	200	65	15	207.7
American Fare	HYPER	200	80	0	150.0
Wal-Mart SuperCenter	HYPER	530	220	80	140.9
Office Depot	OFFICE	626	314	132	99.4
BizMart	OFFICE	259	133	34	94.7
HQ Office Supplies	OFFICE	74	39	0	93.2
Office Club	OFFICE	281	147	51	91.2
Sports Unlimited	SPORT	112	59	45	89.8
QVC Network	ELE	776	453	NA	71.2
Twin Valu	HYPER	100	60	0	66.7
Staples	OFFICE	299	182	98	64.1
Newmark & Lewis	CE	400	246	238	62.6
Sports Authority	SPORT	105	65	40	61.5
The Good Guys	CE	294	195	149	50.8
Auchan	HYPER	75	50	5	50.0
Champs Sports	SPORT	170	120	88	41.7
Costco	CLUB	4,100	2,900	1,989	41.4
One Price Clothing Stores	APP	110	79	64	39.2
Academy	SPORT	135	97	82	39.2

NA: Not Available.

Source: DSN research

Top Chains in Store Count Growth

Chain	Code	Number of Stores 1/89	1/90	Proj. 1/91	Number of New Stores in 1990
Kay-Bee	TOY	777	1,116	1,126	339
Wal-Mart	DDS	1,402	1,573	1,733	171
Dollar General	DOLLAR	1,378	1,461	1,476	83
Family Dollar	DOLLAR	1,680	1,755	NA	75
One Price Clothing Stores	APP	225	295	360	70
Dress Barn	APP	436	502	577	66
Office Depot	OFFICE	67	122	162	55
Bill's Dollar Stores	DOLLAR	500	555	555	55
Champs Sports	SPORT	197	251	337	54
Clothestime	APP	332	384	399	52
Newmark & Lewis	CE	50	98	105	48
Toys "R" Us	TOY	404	451	498	47
T.J. Maxx	APP	352	393	438	41
Marshalls	APP	347	386	411	39
Office Max	OFFICE	11	48	100	37
Western Auto	AUTO	468	504	544	36
Staples	OFFICE	38	74	120	36
AutoZone	AUTO	520	553	593	33
Pep Boys	AUTO	281	313	344	32
Pace	CLUB	47	78	94	31

NA: Not Available.

Source: DSN research

Top Chains in Dollar Earnings Growth

Chain	Code	Earnings[1] (In Millions) 1990	1989	% Change	Earnings Growth (In Millions)
Wal-Mart	DDS	$1,872.0	$1,677.0	11.6	$195.0
Fred Meyer	DDS	67.5	0.8	8,337.5	66.7
Home Shopping Network	ELE	74.7	9.2	712.0	65.5
Sam's	CLUB	170.0	130.0	30.8	40.0
Costco	CLUB	93.0	55.5	67.6	37.5
Venture[2]	DDS	53.8	17.9	200.6	35.9
AutoZone	AUTO	49.3	24.9	98.0	24.4
T.J. Maxx	APP	161.0	140.0	15.0	21.0
Price Club	CLUB	199.4	181.5	9.9	17.9
Target	DDS	466.0	449.0	3.8	17.0
Caldor	DDS	79.6	63.5	25.4	16.1
Family Dollar[3]	DOLLAR	47.6	35.1	35.6	12.5
Service Merchandise	CAT	224.4	212.8	5.5	11.6
Kids "R" Us	APP	29.0	20.0	45.0	9.0
Office Depot	OFFICE	15.8	7.3	116.4	8.5
Pep Boys	AUTO	77.4	69.0	12.2	8.4
QVC Network	ELE	30.0	22.0	36.4	8.0
Bradlees	DDS	62.0	55.0	12.7	7.0
Pay Less NW	DRUG	79.0	72.0	9.7	7.0
Filene's Basement[4]	APP	12.3	5.5	123.6	6.8

[1] *Earnings: Operating income (profit/loss from continuing operations, before taxes and extraordinary items), unless otherwise indicated.*

[2] *Venture: Earnings represent income before taxes; operating profits were $67.6 million in 1990 and an adjusted $67.2 million in 1989.*

[3] *Family Dollar: Earnings are for fiscal year ended Aug. 31.*

[4] *Filene's Basement: Earnings represent net income.*

Source: DSN research

DISCOUNT INDUSTRY ANNUAL REPORT: PART II

Discount Stores by Region and State[1]

Region/State	Discount Dept. Stores[2]	SMR[3]	Catalogers	Clubs	Total	Top 2 Leading Chains By Region, State			
New England	453	54	73	16	596	Ames	129	Bradlees	76
Connecticut	108	10	14	4	136	Caldor	30	Bradlees	27
Massachusetts	192	21	38	5	256	Ames	43	Bradlees	37
Maine	52	8	7	4	71	Ames	29	Kmart/Sears	8
New Hampshire	59	9	7	1	76	Ames	23	Kmart	10
Rhode Island	24	4	6	2	36	Ames	13	Kmart	5
Vermont	18	2	1	0	21	Ames	13	Kmart	3
South Atlantic	1,361	221	295	78	1,955	Kmart	466	Wal-Mart	332
Delaware	26	4	4	1	35	Ames	10	Roses/Jamesway	5
Florida	304	67	100	33	504	Kmart	159	Wal-Mart	119
Georgia	206	23	20	13	262	Kmart	82	Wal-Mart	80
Maryland	100	34	39	10	183	Ames	40	Kmart	32
North Carolina	290	27	54	9	380	Rose's	115	Kmart	77
South Carolina	124	14	21	4	163	Wal-Mart	48	Kmart	44
Virginia	208	38	45	7	298	Rose's	54	Kmart	53
Washington, D.C.	1	2	2	0	5	Sears	2	W. Bell & Co.	2
West Virginia	102	12	10	1	125	L.A. Joe's	36	Ames	16
East North Central	1,427	218	179	77	1,901	Kmart	502	Wal-Mart	206
Illinois	282	78	50	15	425	Kmart	102	Wal-Mart	82
Indiana	233	32	27	14	306	Kmart	81	Wal-Mart	49
Michigan	306	39	42	18	405	Kmart	126	Meijer	46
Ohio	422	48	53	22	545	Kmart	127	Hills	40
Wisconsin	184	21	7	8	220	Kmart	60	ShopKo	36
East South Central	637	64	81	19	801	Wal-Mart	286	Kmart	181
Alabama	175	17	19	5	216	Wal-Mart	79	Kmart	45
Kentucky	168	13	11	5	197	Wal-Mart	65	Kmart	50
Mississippi	106	11	15	2	134	Wal-Mart	57	Kmart	20
Tennessee	188	23	36	7	254	Wal-Mart	85	Kmart	66
Mid-Atlantic	885	137	257	30	1,309	Kmart	220	Ames	161
New Jersey	155	20	52	7	234	Kmart	45	Jamesway	33
New York	375	60	121	11	567	Ames	92	Kmart	62
Pennsylvania	355	57	84	12	508	Kmart	111	Ames	61
West South Central	892	153	101	58	1,204	Wal-Mart	474	Kmart	231
Arkansas	108	11	5	4	128	Wal-Mart	78	Kmart	18
Louisiana	130	20	24	10	184	Wal-Mart	76	Kmart	40
Oklahoma	128	18	8	7	161	Wal-Mart	85	Kmart	17
Texas	526	104	64	37	731	Wal-Mart	235	Kmart	156
West North Central	758	100	47	26	931	Wal-Mart	228	Kmart	194
Iowa	150	20	4	3	177	Pamida	39	Wal-Mart	38
Kansas	110	17	7	3	137	Wal-Mart	41	Kmart	27
Minnesota	139	23	8	7	177	Kmart	44	Pamida	42
Missouri	190	23	19	9	241	Wal-Mart	110	Kmart	44
Nebraska	87	10	3	2	102	Kmart	19	ALCO	16
North Dakota	35	5	3	1	44	Kmart	12	Wal-Mart	7
South Dakota	47	2	3	1	53	Kmart	12	Pamida	11
Mountain	384	80	55	32	551	Kmart	157	Wal-Mart	77
Arizona	90	18	11	11	130	Kmart	32	Wal-Mart	22
Colorado	70	25	16	12	123	Kmart	34	Wal-Mart	20
Idaho	25	8	6	1	40	Kmart	12	Sears/ShopKo	7
Montana	30	5	4	0	39	Kmart	13	Pamida	7
Wyoming	40	3	1	0	44	Kmart	11	Target	5
Nevada	21	7	3	2	33	Kmart	22	Wal-Mart	21
New Mexico	58	10	10	1	79	Kmart	20	Fred Meyer	13
Utah	50	4	4	5	63	Pamida	15	Kmart	10
Pacific	531	170	75	97	873	Kmart	233	Sears	106
Alaska	5	1	2	2	10	Fred Meyer	5	Capital Jewely	2
California	294	124	56	77	551	Kmart	176	Target	82
Hawaii	8	6	0	1	15	Sears	6	Gem of Hawaii	5
Oregon	123	15	5	5	148	Fred Meyer	41	Bi-Mart	38
Washington	101	24	12	12	149	Kmart	33	Fred Meyer	29
Puerto Rico	12	7	0	0	19	Kmart	12	Sears	7
Total:	**7,340**	**1,204**	**1,163**	**433**	**10,140**				

[1] *Total numbers may vary slightly depending up frequent openings and closing during the year.*
[2] *Chart excludes 3,838 dollar discount stores, 91 closeouters and 113 hypermarkets.*
[3] *SMR—Specialty Mass Retailer*
(See story, page 72)

Source: Discount Store News/Chain Store Guides

Southeast Leads In Number Of Discount Stores

The Southeastern U.S. leads other regions in number of discount stores and has the largest concentration of Sears and Wards.

The Southeastern United States had the greatest concentration of stores in the discount industry last year with 1,955 units. It also is the region with the most Sears and Montgomery Ward stores, 221.

Sears and Montgomery Ward, historically partnered with JCPenney as the "Big Three" general merchandisers, have transformed themselves into name brand discounters. Accordingly, *Discount Store News* now lists both Sears and Montgomery Ward on *Discount Store News*' Top 150 list of discount retailers. The two chains, which have been reclassified as Specialty Mass Retailers (SMR), contributed 1,204 stores to the United States retail landscape, their heaviest concentration being in the Southeast, consisting of eight states and Washington, D.C.

By state, California has the most specialty mass retail outlets, 124, and Alaska, the least, a lone Sears outlet. Sears also is the dominant discount industry leader by unit count in both Hawaii and Washington, D.C.

Separately, California has the most warehouse clubs, 77, Texas, the most discount department stores, 526, and New York the most catalog showrooms, 121.

Overall, there were 10,140 full-line discount retail outlets in operation in 1990 including 7,340 discount department stores, 1,204 specialty mass retailer units, 1,163 catalog showrooms, and 433 warehouse clubs.

Despite the troubles many catalogers are undergoing now, in 1990 the number of showrooms increased by 143 units, mostly the result of increases by the strongest operators. The scenario should be substantially altered on next year's census to reflect the great number of 1991 store closings.

The warehouse club sector recorded a fairly prosperous 1990 with respect to overall store count. The country absorbed an additional 59 clubs during 1990, despite the demise of such chain names as Makro, The Wholesale Club as well as Price Savers.

Kmart Dominates Six Areas

By region, Kmart dominated six areas of the country (including Puerto Rico) with its store base, down one from 1989, but was second fiddle in three regions, up one from the year-earlier census.

Wal-Mart, with its ever-growing base of stores, dominated three regions of the country, up one region—North West Central—and was second in three regions, down one—North West Central—from the 1989 census.

Ames, with its declining store base, was the dominant retailer in one region, New England, and was second in the Mid-Atlantic, the same results as in last year's census.

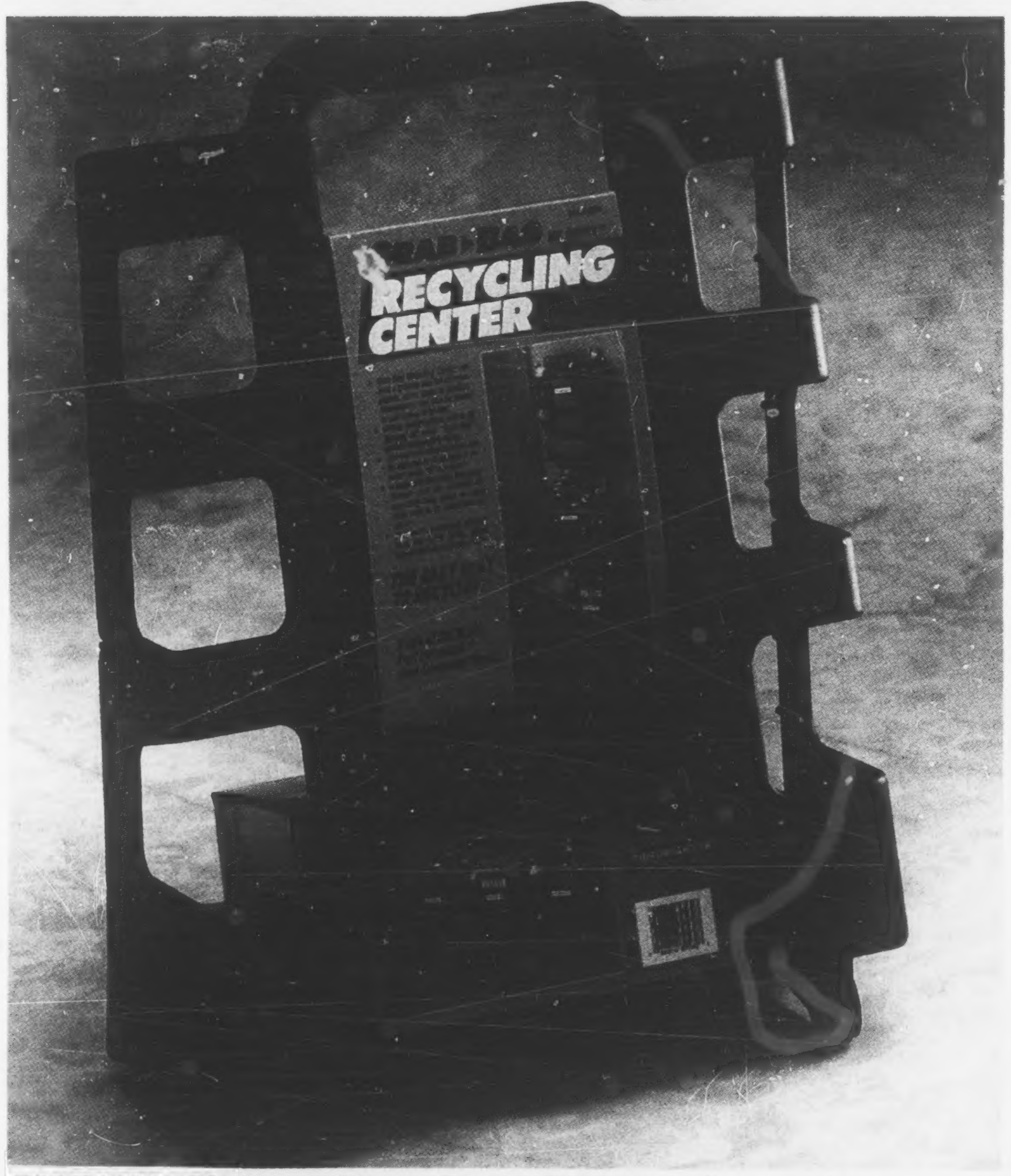
Geographic Penetration

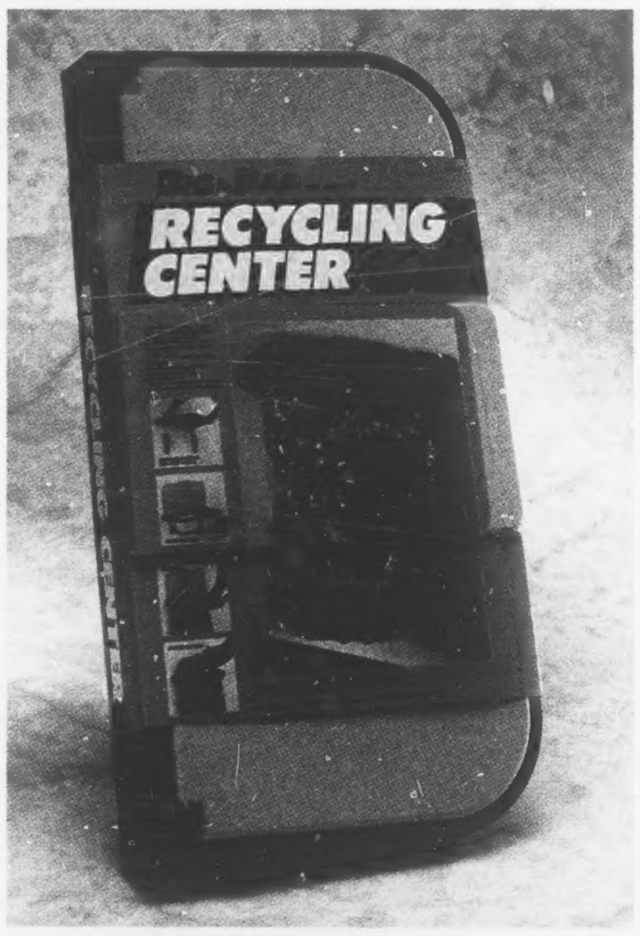
Chain	No. of States With Stores
Kay-Bee	50
Sears	50
Kmart	48
Toys "R" Us	44
T.J. Maxx	44
Marshalls	39
Montgomery Ward	39
Service Merchandise	37
Herman's	37
Burlington Coat	36
Hit or Miss	35
Sam's	35
Wal-Mart	34
Toy Liquidators	33
Target	32
Dress Barn	31
Family Dollar	28
Best Products	27
Child World	27
Kids "R" Us	27

Source: DSN research

Hardware Show
Booth #E3090

EMPAK is Your Recycling Center!



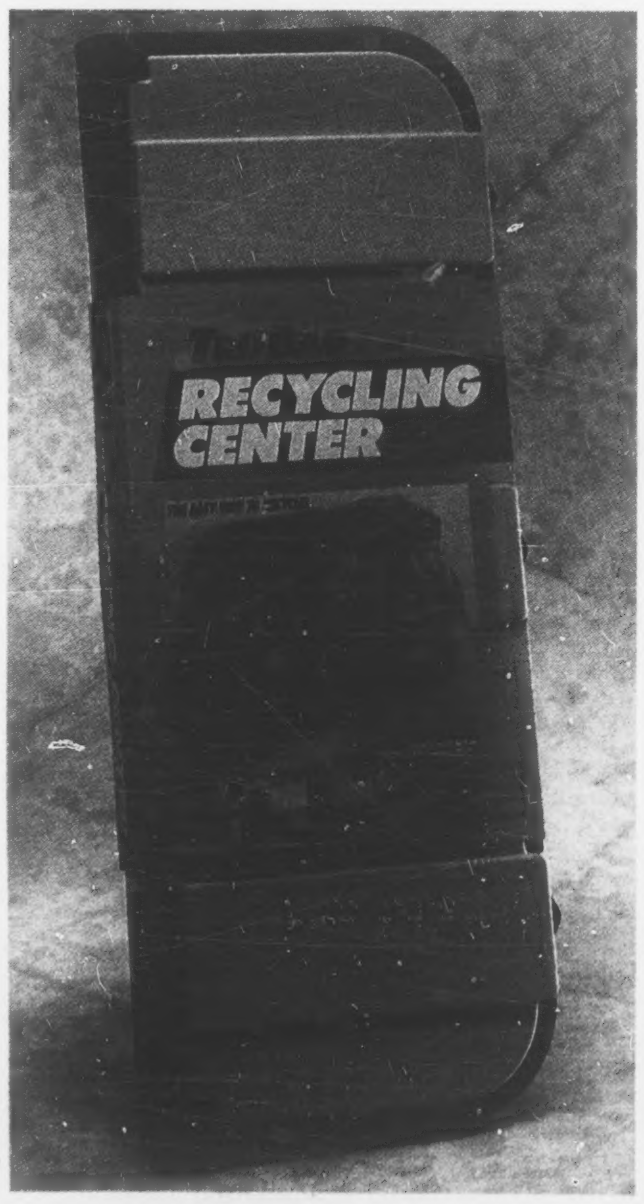


EMPAK's Unique New Recycling Products Come Ready to Sell in Dramatic Full Color Packaging!

CAN RECYCLER
CAN RECYCLER

GRAB ▶ BAG
▶ Holds grocery bag full of newspapers, cans, glass or plastic. ▶ Tilts forward for easy access.
BIG ▶ BAG
▶ Snap-in ring holds 30 gal. bag for cans, paper, glass or plastics. ▶ Unit slips easily on and off two wall mount brackets.
TRI ▶ BAG
▶ Snap-in rings hold three bags for cans, paper, glass or plastics. ▶ Recycling Center mounts easily on three wall brackets.
CAN RECYCLER
▶ Crushes aluminum & steel beverage cans instantly. ▶ Used on floor, table top or wall mounted. ▶ Award winning packaging gives you instant sales impact!

EMPAK
Consumer Products Division
4571 Valley Industrial Blvd. So., Shakopee, MN 55379 • (612) 445-4110 • 1-800-445-4117



Discounters Moving Toward TV 'Imaging'

(Continued from page 46)

only to drug outlets, and nearly 40% of all still cameras sold. And, photofinishing, particularly of the one-hour sort, is becoming an even more important part of the mix, not only for its excellent margins, but also for its ability to pull consumers into the store on a regular basis. Ames, for one, has accentuated that business, reporting success in drawing shoppers. Wal-Mart, in its latest prototypes, includes a one-hour Fuji lab.

However, the age of the camcorder is rapidly drawing near. According to the Photo Marketing Association, nearly one-third of imaging devices purchased for personal use last year were camcorders, of which over nearly one-half were 8mm camcorders. Among wealthier consumers, camcorders are now second only to 35mm cameras in household penetration, and in households with young children, camcorders come in a very close second to 35mm, and average household expenditure for hardware was $437. That trend can be expected to continue.

Discounters, never pioneers in technology, are only slowly moving into the camcorder market, although most now stock 8mm tape. Discounters sold only 8.4% of VHS and a miniscule 2.9% of 8mm units. The much smaller catalog showroom industry accounted for 10.2% and 5.9%, for comparison. However, as the price point of compact camcorders continues to decline to roughly $500 and as they get increasingly easy-to-use, look for discounters to jump into this market full force.

'Green' Nails Hardware Area

(Continued from page 53)

A year ago, Sears made a similar move to recast its hardware department into a power department. While the move kept Craftsman tools and garden products and Weatherbeater and Easy Living paints dominant in the department, other name brand items were added to appeal to customers.

Also last year, Target dropped its private label paint and gave Glidden an exclusive on its paint business, and Wal-Mart made some alterations in its hardware business. Wal-Mart added a 10-item Diamond line of pliers and adjustables wrenches from Triangle Tool. Prior to that, Wal-Mart added Stanley saws and hammers.

Vendor consolidation is on the rise. Most recently, Newell, a giant home products maker whose brands include EZ Paintr, is attempting to purchase an interest in Stanley Works, the hardware/hand tool manufacturer.

CE Departments Rise at Discount

(Continued from page 50)

specialists. They include digital compact cassette, Sony's Mini-Disc and even HDTV. All of these are relatively simple and straightforward products that can virtually sell themselves, which make them ideal for discounters.

The discount industry as a whole has made enormous strides in offering consumers an easy-to-shop environment for consumer electronics. Most major discounters, including Ames, Kmart, Wal-Mart and Target, now have manned departments, and generally better-trained employees work there. With the new wide aisles, upgraded merchandise and at least a modicum of service, discounters are no longer obviously poor cousins of the CE chains.

And as formerly high-tech products like computers and copiers enter the mainstream of the American marketplace, discounters will play an increasingly important role in bringing them to market.

CELEBRATING
50 YEARS OF CLASSIC COMEDY

MCA/UNIVERSAL HOME VIDEO presents the Abbott & Costello Comedy Classics. Make sure you stock up on all ten collectible Abbott & Costello titles, each priced at $14.95 each! Starting with the debut of IN THE NAVY and KEEP 'EM FLYING, two never-before released titles.

THE FUN BEGINS WITH A UNIQUE NATIONAL PROMOTION...
During the month of September, the U.S. Postal Service will be promoting a special 50th Anniversary commemorative Abbott & Costello stamp. This unique collector's stamp is part of a new series by Hirschfeld, the world famous caricature artist. Over 30,000 post offices nationwide will promote the Abbott & Costello stamp as well as the availability of MCA/Universal's video collection through an exciting limited-edition print offer. An insert inside each Abbott & Costello video promotes this offer, as well as other added-value consumer incentives.

UNITED STATES POSTAL SERVICE

BUD ABBOTT & LOU COSTELLO
KEEP 'EM FLYING
MCA
BUD ABBOTT & LOU COSTELLO
DICK POWELL
IN THE NAVY
MCA

KEEP 'EM FLYING
This wacky escapade takes Abbott and Costello on a high-flying adventure as new recruits in the Army Air Corps. Bud and Lou get involved in a hilarious love triangle and go for the ride of their lives in this rare cinematic treat!
B&W/1 Hour 26 Mins.
Not Rated
Videocassette #81102

THE SUGGES
ORDER NOW!
only $14.95 each
PRICE

IN THE NAVY
Abbott and Costello are two sailors bound for duty on the high seas in this rollicking nautical musical comedy. Hilarious high jinks are punctuated by fabulous musical numbers by The Andrews Sisters.
B&W/1 Hour 25 Mins.
Not Rated
Videocassette #81101

Top Execs Escape Intense Scrutiny Over Pay—So Far

(Continued from page 1)

past decade has spilled over to Congress, where companion bills are pending in both the Senate and House to strengthen the hand of shareholders' in determining how companies set executive pay.

The Corporate Pay Responsibility Act, introduced by Sen. Carl Leven (D.-Mich) and Rep. John Bryant (D.-Texas), would address some structural problems noted by shareholder groups by changing Securities and Exchange Commission regulations to:

- Allow shareholders to vote on proposals recommending changes in how companies set executive pay;
- Require companies to provide clear and simple disclosure of pay packages;
- Permit stockholders holding a minimum of $1 million or 3% of a company's stock to nominate directors and include them in the proxy statement and ballot;
- Provide confidential voting of proxies and SEC backing for stockholder access to a company's shareholder list.

The proposed changes would clarify the full impact of what shareholder groups view as a major compensation benefit—executive stock options which, in theory, knit an executive's wealth closer to performance. The better the performance, the higher the price of the stock and the more valuable the options.

Sherman noted that "studies have shown that how much stock a ceo holds in his own company, and the greater the percentage of his wealth in company shares, the better the executive's performance."

This holds true in retailing—even for executives that didn't make *DSN's* listing of highest paid officers of publicly-held discount retailers. Most executives on the chart have stock options, some as a direct result of their company becoming a publicly held firm.

Samuel Walton, founder and chairman of Wal-Mart, arguably the nation's most successful retailer, is the beneficial owner of the largest amount of company stock, 38.76%, even through he isn't among the five highest paid executives at the company. During the past decade, his highest salary, according to the discounter's proxy statement, has been $350,000.

A similar situation applies to executives at other major merchants. Robert E. Price, co-founder, chairman and ceo of The Price Club, which launched the membership warehouse industry, received only $240,385 in 1990 (after taking a pay reduction for a part of the year), but is among the largest beneficial owners of company stock.

At Costco, an innovative wholesale club, the two co-founders, Jeffrey H. Brotman, chairman, and James D. Sinegal, president and ceo, received cash compensation of $339,217 and $346,318, respectively, but are among the largest owners of company shares.

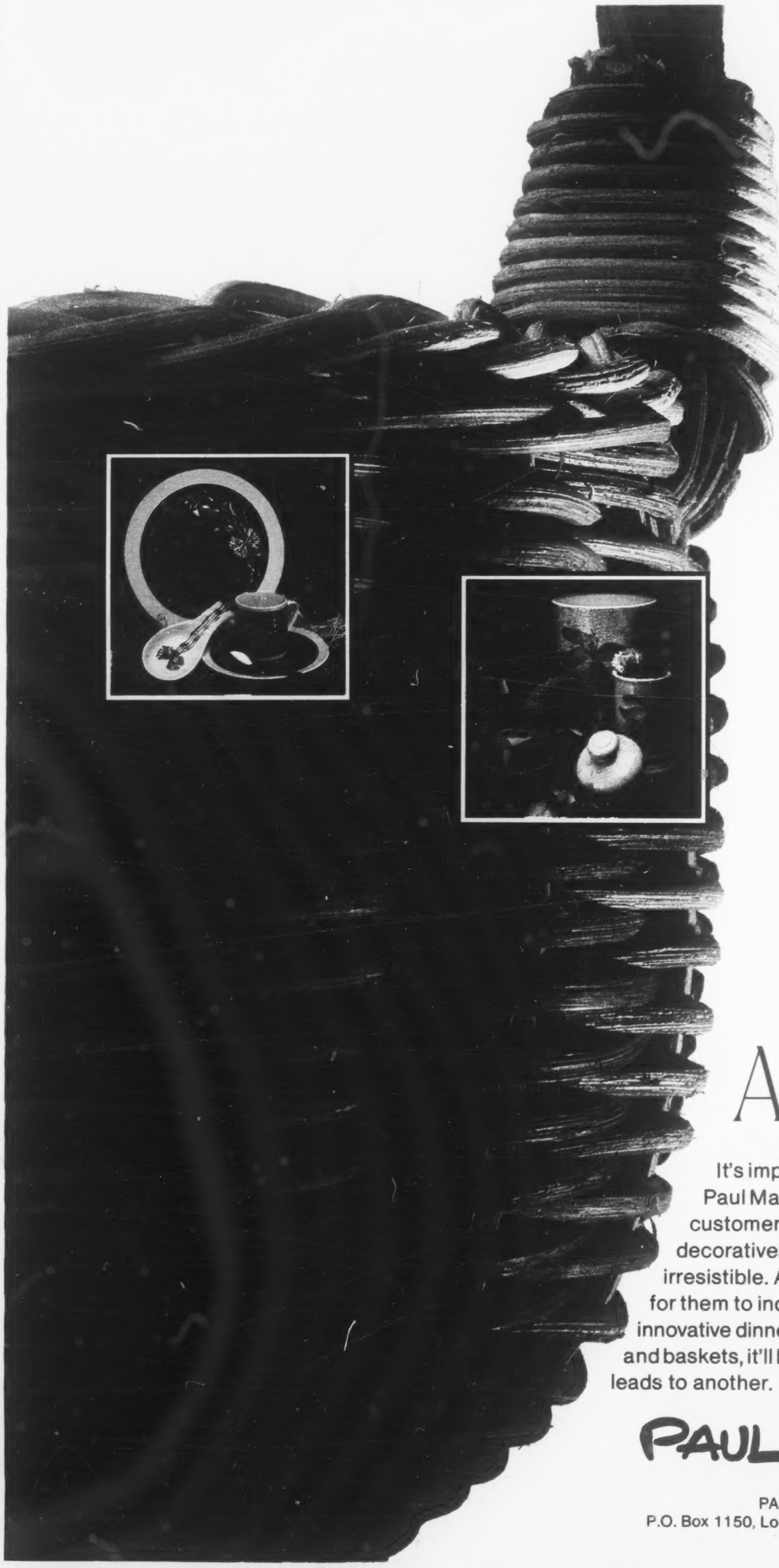
DISCOUNT STORE NEWS (ISSN 0012-3587), is published biweekly—every other Monday—23 times a year except issues of Jan. 29, Aug. 6, Nov. 5 and Nov. 26, which are published every third week; monthly in December—by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Subscriptions are available at no charge to qualified retailers and wholesalers. Paid subscriptions are available to manufacturers and their reps, schools, libraries, govt. agencies and all others—one year, $79; Canada: one year, $85; Foreign subscriptions-Airmail only: $175 (U.S.$ only). Single copy rate $4, except annual census issues $35 ea.

Second-class circulation postage paid at New York, N.Y., and additional mailing offices.

Copyright© 1991 by Lebhar-Friedman Inc. All rights reserved.

Postmaster: please send address changes to Subscription Department, *Discount Store News*, P.O. Box 31185, Tampa, Fla. 33631-3185. For change of address six weeks notice is requested. Give old and new address and zip code. If possible, enclose address portion from cover of previous issue.

Vol. 30, No. 15 August 5, 1991



ONE THING LEADS TO ANOTHER

It's impossible to buy just one product from Paul Marshall. Our coordinated look inspires customers to mix and match accessories and decoratives in ways that make impulse buys irresistible. And affordable quality makes it easy for them to indulge. Once you see Paul Marshall's innovative dinnerware, pantryware, bath accessories and baskets, it'll be easy to understand how one thing leads to another.

PAUL MARSHALL

PAUL MARSHALL PRODUCTS
P.O. Box 1150, Long Beach, CA 90801-1150 (213) 595-1223

Salaries of Top Execs in Publicly Held Discount Retailers

Executive	Title/Company	1990 Compensation (In Thousands*)	1990 Company Operating Income (In Millions)	1990 Compensation As a Percentage Of Operating Income
Charles Lazarus[1]	Chmn.; CEO/Toys 'R' Us	$5,371.9	$438.9	1.22
Stephen L. Pistner[2]	Chmn.; CEO/Ames	1,717.7	(793.5)	NA
Joseph E. Antonini	Chmn.; CEO/Kmart	992.6	1,307.0	0.08
Raymond Zimmerman[3]	Chmn.; CEO; Pres./Service Merchandise	844.4	224.4	0.38
Robert J. Ulrich	Chmn.; CEO/Target	832.8	466.0	0.18
Bernard Cammarata[4]	Chmn.; CEO/TJX	822.8	161.0	0.51
Samuel J. Gerson[5]	Chmn.; CEO/Filene's Basement	777.5	26.6	2.92
Don R. Clarke[6]	Chmn.; CEO/Caldor	771.9	79.6	0.97
William G. Kelley[7]	Chmn.; CEO; Pres./Consolidated Stores	761.6	15.2	5.01
Mone Anathan, III[8]	Pres.; Treas./Filene's Basement	747.5	26.6	2.81
J.R. Hyde III[9]	Chmn.; CEO/AutoZone	719.8	49.3	1.46
David W. Glass	Pres.; CEO/Wal-Mart	710.0	1,872.0	0.04
Sy Syms[10]	Chmn.;CEO/Syms	705.0	24.7	2.85
C. Clayton Burkstrand[11]	Chmn.; CEO/Pamida	694.5	38.6	1.80
Marc I. Balmuth[12]	Pres./Caldor	688.2	79.6	0.09
Robert C. Nakasone	Vice-Chmn./Toys 'R' Us; Pres./World Wide Toy Stores	684.3	438.9	0.16
George M. Granoff[13]	Pres.; COO/Ames	669.9	(793.5)	NA
Richard L. Sharp[14]	CEO; Pres./Circuit City	656.5	91.4	0.72
Michael Goldstein	Vice-Chmn.; CFO/ Toys 'R' Us	649.0	438.9	0.15
Julian M. Seeherman	Chmn.; CEO/Venture	620.7	53.8	1.15
Donald G.Soderquist	Vice-Chmn.; COO/Wal-Mart	600.0	1,872.0	0.03
Lewis B. Merrifield III[15]	CEO; Pres./Pic 'N' Save	583.3	37.1	0.16
Mitchell G. Leibovitz	Pres.; CEO/Pep Boys	574.2	77.4	0.74
Richard Lesser	Sr VP/TJX	567.9	161.0	0.35
Charles H. Shenk[16]	Sr VP Wholesale/Consolidated Stores	567.2	15.2	3.73
Herbert Fisher[17]	Chmn.; CEO/Jamesway	553.1	(32.6)	NA
Peter R. Formanek[18]	Pres.; COO/AutoZone	540.3	49.3	1.10
A.L. Johnson	Vice-Chmn./Wal-Mart; CEO/Sam's Club	525.0	1,872.0	0.03
Herbert J. Zarkin[19]	Pres./BJ's Wholesale Club	523.2	11.3	4.63
Leon Levine[20]	Chmn.; Treas./Family Dollar	500.0	47.6	1.05
Walter E. Bruckart[21]	Exec VP/Circuit City	497.1	91.4	0.54
Larry M. Parkin[22]	Exec VP/Kmart Warehouse & Grocery Operation	493.5	1,307.0	0.04
Roger V. Goddu[23]	Exec VP; GMM/Toys 'R' Us	490.9	438.9	0.11
David I. Fuente[24]	CEO/Office Depot	478.3	15.8	3.03
Frank R. Schlosser[25]	Pres.; COO/Pamida	473.9	38.6	1.23
Philip G. Otto	Pres./Venture	472.6	53.8	0.88
Frederick M. Stevens[26]	Chmn.; CEO/Fred Meyer	460.9	67.5	0.68
Stuart Rose[27]	Chmn.; CEO/Audio/Video Affiliates	459.2	4.8	9.56
Joseph R. Thomas	Exec VP; CAO/Kmart	454.7	1,307.0	0.03
Stephen A. Goldberger[28]	Chmn.; CEO; Pres./Hills	449.9	67.7	0.66
Leonard Luria	Chmn.; CEO/L. Luria	437.7	2.5	17.51
George A. Iacono[29]	Pres.; GMM/Value City	425.0	31.2	1.36
William R. Fields	Exec VP Mrch & Sales/Wal-Mart	425.0	1,872.0	0.02
Richard S. Miller	Exec VP/Kmart Stores	422.5	1,307.0	0.03
Roy M. Speer	Chmn.; CEO/Home Shopping Network	419.2	74.7	0.56
John A. Fitzsimmons[30]	Sr VP/Circuit City	392.2	91.4	0.43
Alvin N. Lubetkin	Vice-Chmn.; CEO; Pres./Oshman's	382.2	(4.0)	NA
Stuart C. Siegel	Chmn./S & K Famous Brands	380.0	2.9	13.10
George R. Friese[31]	Vice-Chmn./Hills	379.6	67.7	0.56
William D. Rivas[32]	Exec VP/Circuit City	377.3	91.4	0.41
Sol A. Shenk[33]	Consultant/Consolidated Stores	375.0	15.2	2.47
Joseph M. Segel	Chmn.; CEO/QVC	375.0	30.0	1.25
Paul R. Carter	Exec VP; CFO/Wal-Mart	375.0	1,872.0	0.02
Joseph R. Baczko[34]	Pres./Toys 'R' Us International	371.0	438.9	0.08
Benjamin Strauss	Chmn./Pep Boys	369.2	77.4	0.48
John B. Hurley	Pres./Fretter	363.1	(1.2)	NA

Compensation includes salary and bonuses/incentives and, depending on retailer, such other payments as profit plan contribution, life insurance, auto expenses, financial planning and other perks, with specific salary and bonus/incentive amounts, where available, as indicated; stock options and cash payments under stock bonus plans are excluded.

[1] *Includes base salary of $315,000 and incentive equal to 1% of pretax income over $18 million.*

[2] *Joined Ames April 1990. Pro-rated salary of $1.5 million and initial bonus of $500,000.*

[3] *Includes approximately $100,000 paid to or on behalf of Zimmerman for auto, medical, life insurance and legal expenses.*

[4] *Includes salary of $572,769 (pro-rated base salary of $603,00 effective July 1990 increased from $528,000) and incentive compensation of $250,000. Doesn't include $1 million deferred cash award under the company's Long Range Management Incentive Plan.*

[5] *Includes base compensation of $477,500 and bonus of $300,000.*

[6] *Includes base compensation of $468,750 and bonus of $303,159.*

[7] *Includes base salary of $446,250.*

[8] *Includes base compensation of $447,500 and bonus of $300,000.*

[9] *Includes base salary of $443,084 and incentive compensation of $276,688.*

[10] *Excludes $200,000 payment by Syms Advertising, a company subsidiary, as performance fees for advertising.*

[11] *Includes pro-rated base salary of $410,000 effective August 1990; previous base salary was $315,000.*

[12] *Includes base compensation of $418,750 and bonus of $269,475.*

[13] *Left company June 1991.*

[14] *Includes cash compensation of $540,979 and performance bonus of $115,500.*

[15] *Left company Dec. 31, 1990, receiving severance payment of approximately $3.1 million representing 2.9 times the sum of highest annual base salary and bonuses for prior two years.*

[16] *Includes base salary of $250,000.*

( )—Loss NA: Not applicable

[17] *Includes base compensation of $500,000, adjusted for cost of living increases reported in the Consumer Price Index.*

[18] *Includes base salary of $332,472 and incentive compensation of $207,795.*

[19] *Includes salary of $391,842 and incentive compensation of $131,363.*

[20] *Includes salary of $110,500 and incentive compensation of 3% of company's consolidated pretax income over $1.5 million.*

[21] *Includes cash compensation of $422,709 and performance bonus of $74,375.*

[22] *Retired Jan. 31, 1991.*

[23] *Includes forfeited benefits from prior employment and moving and relocation expenses of $114,967.*

[24] *Includes incentive award of $203,250.*

[25] *Includes pro-rated base salary of $287,000 effective August 1990; previous base salary was $215,000.*

[26] *Resigned from company Jan. 25, 1991.*

[27] *Includes salary of $150,000.*

[28] *Includes salary of $525,000, pro-rated until resignation November 1990.*

[29] *Includes salary of $250,000.*

[30] *Includes cash compensation of $351,748 and performance bonus of 40,425.*

[31] *Includes base compensation of $374,846.*

[32] *Includes cash compensation of $324,825 and performance bonus of 52,500.*

[33] *Retired former chairman; annual consulting agreement for five-year period.*

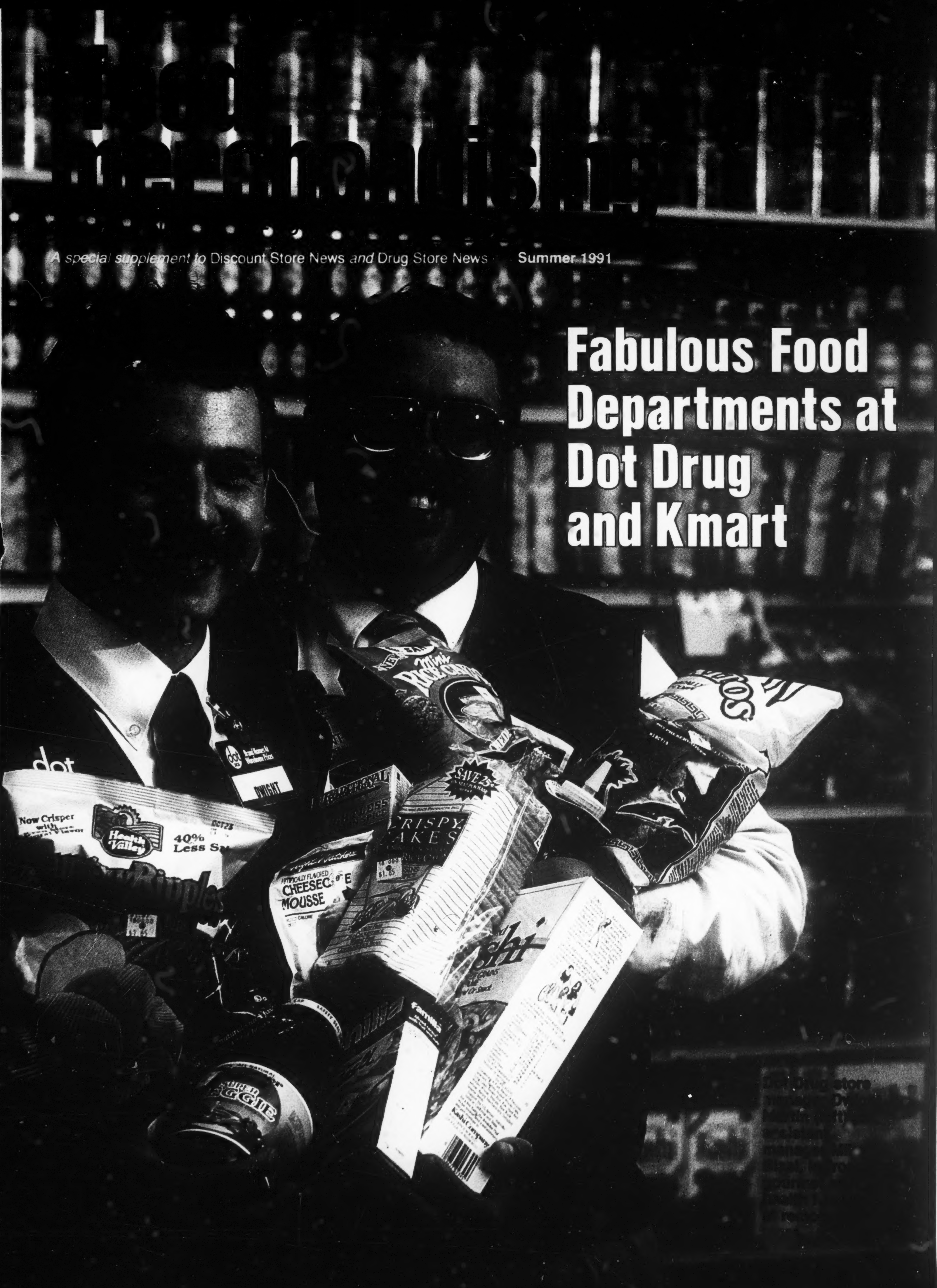
[34] *Resigned Feb. 3, 1991.*

Source: DSN research; company proxies, 10-Ks, prospectus.

Food merchandising

A special supplement to Discount Store News and Drug Store News Summer 1991

Fabulous Food Departments at Dot Drug and Kmart



Dot Drug store [illegible]

FM *Special Report*

Non-Foods Chains Approach Food Merchandising With Vigor

The Number of Food Items Is Up; So Are Profits

Discount and drug stores continue to embrace food items as sizzling promotional lures to their stores. In fact, buyers from both trade classes say that building traffic is the primary reason for advertising food and grocery products.

1991 shelf space compared to 1990

	Discount store			Drug store		
	More	Less	Same	More	Less	Same
Candy/gum	25	70	5	33	3	63
Snacks, chips, cookies, cakes	30	60	10	47	53	—
Soft drinks	5	80	15	14	3	83
Other drinks	50	36	14	18	7	75
Beer, wine, liquor	50	50	—	—	21	79
Pet foods	43	57	—	33	—	67
Household cleaners	20	80	—	21	—	79
Paper products	19	62	19	14	—	86
Food wraps	6	94	—	4	4	92
Garbage bags	35	65	—	14	—	86
Packaged groceries	42	58	—	21	4	75

Source: Fairfield Research

Incidence of advertising or promotions in the past year

	Discount store		Drug store	
	1991	1990	1991	1990
Candy/gum	100	100	100	80
Snacks, chips, cookies, cakes	95	85	100	57
Soft drinks	95	70	93	67
Other non-alcoholic beverages	60	65	83	43
Beer, wine, liquor	5	5	33	37
Pet foods	65	60	70	40
Household cleaners	70	70	90	60
Household paper products	75	65	90	73
Food wraps	60	65	77	53
Garbage bags	85	65	90	63
Packaged groceries	60	30	67	37

Source: Fairfield Research

At the same time, non-food retailers are getting more savvy when it comes to selling grocery items. They are selecting them carefully, improving margins, and therefore emerging more profitable.

Those are just a few of the findings of a new study commissioned by *Food Merchandising* and conducted by Fairfield Research, Lincoln, Neb.

Because this is the second year Fairfield has examined for *FM* how the non-food trade treats groceries, important year-to-year comparisons can be made. One striking finding is that more retailers *are* stocking and promoting more food items. The most dramatic increase is in the soft drink category, where the percent of discounters carrying and promoting soft drinks escalated from 65% in 1990 to 90% in 1991.

At drug stores, the percentage increased from 86% last year to 97%. These statistics are a testament to the incredible drawing power of soft drinks—a highly consumable product area.

The incidence of advertising food products in discount stores jumped in six out of 11 areas. In drug stores, the use of advertising food items was up in nine out of 11 product classifications. A few examples include almost a doubling of the drug operations advertising and promoting candy and gum, and a 20 percentage point climb in the discounters stocking and promoting garbage bags.

But retailers tend to be promoting food items slightly less frequently, according to year-to-year comparisons. When items are promoted as much as every week, the►

	Discount store	Drug store
Candy/gum	17	17
Snacks, chips, cookies, cakes	22	14
Soft drinks	8	5
Non-alcoholic beverages	25	16
Beer, wine, liquor	*	8
Pet foods	24	15
Household cleaners	19	12
Paper products	9	10
Food wraps	26	16
Garbage bags	27	16
Packaged groceries	18	15

** - Small response rate*
Source: Fairfield Research

	Discount store	Drug store
To build traffic	70	63
To generate impulse sales	10	7
To create a low price image	—	7
To pull traffic away from food stores with competing products	5	7
To attract new customers	—	7
To build margins	5	3
Other	10	3

Source: Fairfield Research

Beverage buyers Drug Discount	 27% 23%
Food/grocery buyers Drug Discount	 36% 36%
Merchandise managers/ division managers Drug Discount	 10% 21%
General merchandise managers Drug stores Discount	 4% 3%
Owners/partners/presidents/ ceos Drug stores Discount stores	 8% 3%
Vps of merchandising Drug stores Discount stores	 6% 2%
Operations managers Drug stores Discount stores	 5% 5%
Other Drug stores Discount	 4% 7%

Source: Fairfield Research

products selected are rapidly-turning consumables, such as paper products and snacks.

By carefully selecting and by improving pricing, chains are reaping improved gross margins. For instance, discounters stretched margins in pet foods from 10% in 1990 to 24% in 1991. Impressive profit gains were enjoyed in garbage bags, 7% to 27%, and food wraps, 7% to 26%.

Sell-through of food items has also improved—another factor enhancing profits in groceries. A few examples: drug store sell-through on snacks rose from 78% to 84%, pet foods from 63% to 78%, and garbage bags from 55% to 70%.

Most retailers queried reported they set a certain markup when determining promotional pricing for items stocked everyday.

The research also revealed food/grocery buyers control the advertising purse strings. But, everyone from the president or chief executive officer to the divisional manager also has a hand in the ultimate advertising decision.

The advertising vehicle of choice stayed pretty constant at ROP newspapers, although there was a growth spurt in the use of radio advertising, television, in-store flyers, and in-store announcements. Discounters, in particular, are tuning in to radio. In 1990, 45% said they use radio; in 1991, the percentage expanded to 85%.

Following are some of the specific findings in each key food category.

Candy and gum

Almost 100% of both the discounters and drug stores surveyed stock and promote candy and gum. Plus, candy and gum received the highest ranking as the best-selling everyday grocery product in discount and drug store units.

In fact, 25% of discounters and 33% of drug stores indicated an increase in shelf space devoted to this traffic generator—one of the few areas showing shelf space gains.

Candy and gum are promoted by most discount chains at least once a month. That's a bit less than the year before, when retailers indicated they touted candy and gum once a week or more. Drug stores serve up candy and gum more often—30% indicated promoting candy and gum once every two to three weeks.

The best-selling candy and gum brand in drug and discount stores is Mars/M&M, followed by Hershey, Wrigley, and Snickers.

Several other candy companies were singled out in other questions, such as:

- M&M/Mars and Hershey provide dominant market share;
- Brachs allows for back haul allowances; and
- M&M/Mars achieves strong sell-through.

Candy is indeed a big draw for retailers, particularly during seasonal events such as Halloween, Valen-

►

	Once a week or more	Once every 2-3 weeks	Once a month	Once a quarter
Candy/gum	20	20	35	15

Source: Fairfield Research

	Discount store	Drug store
Snacks, chips, cookies, cakes	79	84

Source: Fairfield Research

tine's Day, and Christmas. Buyers, however, noted they have reduced buying on seasonal specific goods, emphasizing basic stock. Others have tried creative ploys—Perry Drug Stores will take back unopened Halloween candy that purchasers don't use. According to Perry Drug's Steve Lund, the guarantee has had a positive impact on candy volume.

Snacks

Snacks, chips, cookies, and cakes constitute another category that most discounters and drug stores stock and advertise frequently. Both discounters and drug stores upped the incidence of advertising or promoting cookies, snacks, chips, and cakes from 1990 to 1991. Drug stores, for example, increased from a 67% base in 1990 to 935 in 1991.

The majority of respondents indicated including a snack in a promotion once a month. Although drug stores lost a gross margin point in the category from 1990 to 1991, discounters extended margins by two percentage points.

No advertising	
Discount	5%
Drug	3%
More than once a week	
Discount	5%
Drug	3%
Once a week	
Discount	15%
Drug	31%
Once every 2-3 weeks	
Discount	25%
Drug	34%
Once a month	
Discount	35%
Drug	10%
Every other month	
Discount	10%
Drug	10%
Once a year	
Discount	0%
Drug	3%

Source: Fairfield Research

Discount stores		Drug stores	
1991	1990	1991	1990
25	7	16	13

Source: Fairfield Research

Frito-Lay copped the honors as the best-selling brand in the category. The other contenders vary by trade class. In discounters, Planters, Pringles, private label and Seyferts Chips all received equal mention. In drug stores, Frito-Lay was followed by Nabisco, Act II, Lay's, Pringles, and Seyferts Chips.

Frito-Lay was often mentioned as an excellent brand for providing good market share, while Nabisco was singled out at a superior provider of regional and neighborhood demographics. According to retailers, snacks is a category very tied to local preferences, and regional preferences are important.

Soft drinks

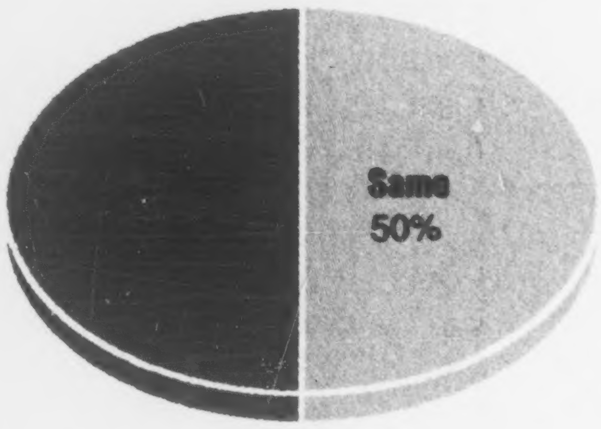
If there is one grocery classification that's a "must have" for nonfoods retailers, it is indeed soft drinks. Consumers have come to expect at least a smattering of soft drinks in all retail doors.

That lesson had a big impact on discounters, who lagged behind drug chains in soft drinks. Now, 90% of all discounters carry and promote soft drinks, up substantially from 65% last year. Drug store saturation rose from 86% to 97%.

There's also a marked increase in promotion of soft drinks by retailers. While less than 70% of retailers from both trade classes indicated advertising them in 1990, almost 95% now tout soft drinks. Drug stores, in fact, take advantage of the traffic-pulling power of soft drinks, with 34% promoting the items once a week or more. The competitive nature of soft drinks, however, hurt margins. Discounters' margins dropped from 11% to 8%; drug stores from 9% to 5%.

Shelf space in discount stores, 1990 vs. 1991

Will you devote more, less or the same amount of shelf space to beer, wine, or liquor in 1991?



Source: Fairfield Research

The average percent discount off the retail price rose from 12% in 1990 for discounters to 24%. That figure declined from 26% to 24% in drug stores. Sell-through improved in discount stores to 88%, up from 64%. Drug store sell-through dropped to 83% from 92%.➜

Other beverages

The health craze has indeed had a positive impact on sales of waters and juices. Chains which had tested the waters with non-carbonated beverages have long since annexed full selections. Almost 100% of both discounters and drug chains now stock these items.

It appears that discounters understood the power of the beverages before drug stores did. Drug store promotion of non-alcoholic beverages jumped from 86% to 97% last year, while discounters eased up on promotions.

Discounters cleared space on shelves to accommodate more of these SKUs. Fifty percent of the survey—the highest response—said they've given more space to non-alcoholic items. These items yield impressive 25% margins for discounters, significantly higher than the 16% margin reported by drug chains.

Sell-through also improved for both channels. Sell-through at discounters was up from 67% in 1990 to 72%; drug store sell-through improved from 54% to 69%.

Ocean Spray received the honors in discount stores as the most brisk seller, while Very Fine copped the title in drug units. Other major sellers included Hi-C, Perrier, Sundance, and Tropicana.

Drug stores:	
Ralston Purina	33%
Kal Kan	13%
Alpo	8%
Hartz	8%
9-Lives	8%
Other	13%
Don't know	17%

Source: Fairfield Research

Discount stores:	
Charmin	25%
Hi-Dry	19%
Northern	13%
Procter & Gamble	13%
Bounty	6%
Kimberly Clark	6%
Kleenex	6%
Private label	6%
Other	6%

Source: Fairfield Research

Beer, wine, liquor

Due to state laws, many operators can't sell alcoholic beverages, but those who can reported impressive sales gains via promotions.

Drug stores tend to offer beer, wine, or liquor more often than discounters. Alcoholic beverages, in fact, account for more than 10% of annual volume at Walgreens. Thirty-five percent of the drug chains polled promoted a beer, wine, or liquor as often as once a week.

Just over 40% of drug chains surveyed stock alcoholic beverages, while only 10% of discounters sell them. The most powerful name in beer, wine, and liquor for drug stores is Budweiser, with 36% selecting that brand.

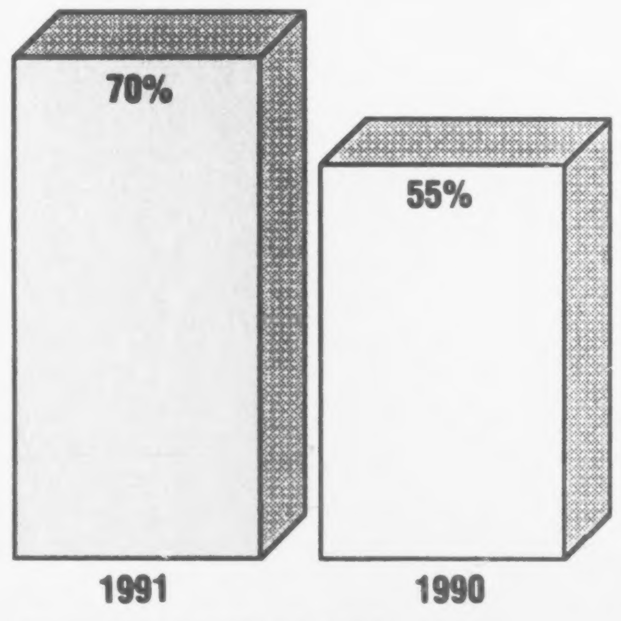
Pet food

Drug stores are more committed to pet foods than discounters, with 76% carrying and promoting the category versus only 55% of discounters. There was a reduction, in fact, of the percentage of discounters carrying pet foods—from 55% to 72%.

Both channels, however, have increased promotion of the category. This was especially evident in drug stores. In 1990, only 40% of the respondents had increased advertising spending, versus 70% in the most recent poll.

Gross margins are up substantially in both outlets—up from 10% to 24% in discount stores, and from 7% to 15% in drug stores. Pet foods exhibit good sell-through records, with a 65% sell-through in discount stores and 78% in drug stores—both up from 1990. Ralston Purina was ranked the best-selling brand name in both retail sectors.

Percent sell-through for food wraps in drug stores



Source: Fairfield Research

Household cleaners

Household cleaners are hotly promoted categories for both discount and drug operators. Both sectors increased the incidence of carrying and promoting household cleaners from 1990 to 1991. There is evidence, however, that retailers are content with the space allocated to the category. The majority of retailers, in fact, plan to decrease or keep space allocations the same.

Drug stores got aggressive in advertising cleaners, with 90% indicating an increase in advertising in the last year. The most popular frequency for promoting cleaners is once a month.

The household cleaner market is fragmented, according to the survey. Discounters picked Procter &→

	Discount store		**Drug store**	
	1991	**1990**	**1991**	**1990**
Household cleaners	70	70	90	60

Source: Fairfield Research

Gamble as the best-selling brand, followed by Spic & Span, Tide, Dow Chemical, Purex, S.C. Johnson, and Windex. Drug stores picked Tide, Procter & Gamble, Lysol, Windex, Colgate, and Purex.

Paper products

Paper products have become staples in both discount and drug outlets. Two-thirds of discounters and almost 95% of drug stores stock and promote paper items.

The incidence has declined slightly, however, in discount stores. In fact, almost two-thirds of discounters said they reduced space in their stores for paper products. Many explained that paper products are the victim of low gross margins.

Still, paper products remain one of the most frequently advertised product areas in both trade classes. As one discounter put it: “A good paper towel promotion will still bring in people like you've never seen.”

The hot names to promote include Charmin, Hi-Dry, Northern, Procter & Gamble, Bounty, Kimberly Clark, Kleenex, and Scott.

Food wraps

Discounters are promoting food wraps more than drug store operators. Both tout the items on average once a month, but both trade classes are advertising food wraps less frequently than last year. Still, chains are enjoying enhanced margins. Discount margins rose from 25% to 27%, while drug margins were up from 10% to 16%. The average percent-off in discount stores is 19%; for drug stores, 22%.

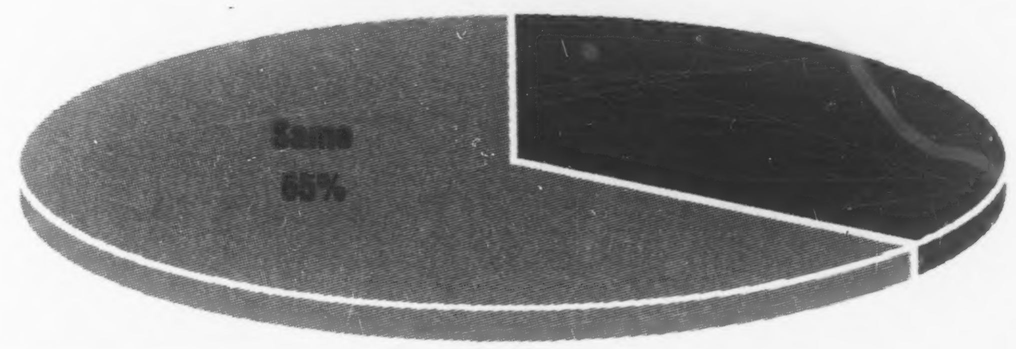
Glad was singled out as the best-selling name brand in both discount and drug stores, followed by Reynolds along with Dow, Handy Wrap, Zip Lock, and Saran.

Methodology: Who, When, How

For this special research-based report for *Food Merchandising*, Fairfield Research interviewed a total of 50 retailers—20 discounters and 30 drug store chains. Primary interviews were at headquarters level, with the majority of sources holding the title of buyer, food/groceries. The survey was conducted in January 1991.

1991 shelf space compared to 1990: garbage bags

Discount stores



Source: Fairfield Research

Garbage bags

Consumers used to think garbage bag prices were too high in non-food outlets. Aggressive advertising has alleviated that fear.

More than 80% of drug and discount units stock and promote garage bags, and the incidence is up in both trade classes. Both types of retailers also indicated a substantial interest in increasing shelf space.

Garbage bags will be advertised by a lot more drug store operators this year than last—90% compared to just 63% a year ago. Discount stores are also placing garbage bags on ad more often, 85% versus 65%.

Gross margins on garbage bags are among the most attractive of all food categories—27% for discounters, 16% for drug stores. The hot brands are Glad, Hefty, Ruffles, and Mobile in both retail classes.

Packaged groceries

Packaged groceries remains one of the most untapped of all food classifications for discount and drug stores. Less than one-fourth of all discounters stock and promote the category, while only one-third of drug stores promote it.

What's more, that's down from 1990, indicating there are no immediate plans to charge full-speed ahead in the category. Not surprisingly, sell-through has declined for the category in both discount and drug stores. Kraft, Lipton, Chef Boy, and Nabisco take honors as the best-selling brand names.

Retailers said the area still holds great potential for non-foods operators. The reason, they said, is because many customers are looking for the convenience of picking up cake mixes, microwave meals, or soups while shopping in a drug or discount store.

Glad	29%
Private Label	18%
Hefty	12%
Ruffles	12%
Mobile	6%
Other	18%
Don't know	6%

Source: Fairfield Research

Want to Sell Wholesale Clubs? Handle with Care!

By Laurie Freeman

Gale and Jeffrey Luce of Rockville, Md., visit The Price Club at least once every two months to stock up on everything from bulk food items to cases of soft drinks, cat food, giant-sized packages of cookies and Utz pretzels (a regional salty-snack company).

There are two reasons the Luce's like membership club shopping. "Everything is so inexpensive, and they have the brand names I like," said Gale.

Heinz Nascar T-SHIRT OFFER
SWEET RELISH
HEINZ TOMATO KETCHUP
HEINZ MILD YELLOW MUSTARD
HEINZ PICNIC PACK

Multi-packs, *like this shrink-wrapped selection of condiments, are effective in a wholesale club setting.*

Everyday low prices and leading food brands are the key selling points of membership clubs, which already have become a $22 billion industry. Despite continued consolidation the industry has flourished, and even had an impact on how vendors deal with this unique form of distribution.

"And we're going to see tremendous growth," said Frank Blod, a principal of the New England Consulting Group, Westport, Conn. "The industry will double in size by the mid-1990s, simply because it's filling a niche that no other distribution system can match."

Food manufacturers are scrambling to meet the special marketing needs of warehouse outlets, while also making sure not to infuriate traditional retailers. Food companies have had to work hard to understand the nuances that make behemoth wholesale clubs a different animal than supermarkets or other operators who sell food.

The most desired items are multipacks or larger package sizes of top brand-name foods.

"We make available club pack sizes, which mainly consist of several regular retail boxes bound together as a larger size," said Tom Michaelis, sales planning manager, Thomas J. Lipton Co.

> Food manufacturers are scrambling to meet the special marketing needs of warehouse outlets, while also making sure not to infuriate traditional retailers.

The club packs currently sold include Lipton's Alfredo noodle side dishes and dry onion and noodle soup mixes. Lipton also markets a 144-count decaffeinated tea bag package, and a 216-count regular tea bag package.

Like every other food company, Lipton's policy is to make sure these larger sizes and multipacks are available to every class of trade, whether it's grocery, mass merchandise, or convenience store, not only the warehouse clubs.

"If any of our accounts want to stock the larger sizes, they are available to them," Michaelis emphasized. "These sizes are not restricted in any way to the wholesale clubs."

However, the larger sizes and multipacks are most attractive to the membership warehouse operations, which stock a limited number of top name-brand products in substantially larger sizes than those found in other distribution channels. Drug chains such as Genovese have tried to offer the multipacks with only limited success. The customer in a drug store, an executive reasoned, may not be prepared to tote home the huge package. They also may not have storage space at home.

"A membership warehouse club will carry only 3,500 SKUs, compared to a supermarket which may stock over 20,000," noted New England's Blod. "Consumers are looking specifically for multipacks and large sizes of French's mustard and Kelloggs cereals. They're coming to stock up."

The limited product selection—and membership clubs' desire to carry only top national and regional brand names—has inspired many leading marketers to devise prod- ►

Chain	Sales (In Millions)		% Change	Number of Stores			Average Store Size (000 Sq. Ft.)
	1990	1989		1/90	1/91	Proj. 1/92	
Sam's Bentonville, Ark.	$6,579	$4,841	35.9%	123	148	201	115
Price Club San Diego, Calif.	5,300	4,900	8.2	53	66	76	110
Costco Kirkland, Wash.	4,100	2,900	41.4	58	69	80	120
Pace Englewood, Colo.	2,295	1,700	35.0	47	78	115	100
BJ's Wholesale Club Natick, Mass.	1,150	985	16.8	23	27	33	105
Price Savers[1] Salt Lake City, Utah	850	685	24.1	14	17	0	100
The Wholesale Club[2] Indianapolis, Ind.	726	570	27.4	23	28	0	105
Warehouse Club Skokie, Ill.	265	267	(90.7)	12	10	10	100
Wholesale Depot Natick, Mass.	50	10	400.0	2	2	6	60
Total:	$21,315	$16,858	26.4%	355	445	521	

[1] *Price Savers: Acquired by Pace in December 1990.*
[2] *The Wholesale Club: Acquired by Wal-Mart for Sam's Club in February 1991.*

Source: DSN *research*

ucts that lend themselves to the larger-format stores.

Heinz USA, for one, has found great warehouse club success with its 64-oz. Heinz ketchup, packaged in a new recyclable plastic container. The containers are placed prepriced on a display-ready pallet that can be easily unloaded from a delivery truck right onto the selling floor.

"This has strong appeal for larger grocery outlets and warehouse clubs; there's less handling necessary," said Tony Muscato, Heinz USA product manager.

Heinz also has grouped several popular condiments together into special seasonal packages.

The "Picnic Pack" includes an 18-oz. Heinz ketchup, a 16-oz. mustard, and a 14-oz. relish. In addition, the company offers a "Barbecue Pack," which substitutes barbecue sauce for the relish. Both packages have proved to be popular in warehouse clubs this year, Muscato said.

"This shows there is a lot of opportunity for seasonally-oriented merchandise within membership clubs," he said. "They [membership clubs] are interested in special packages that can be sold within certain specific time periods."

> Everyday low prices and leading food brands are the key selling points of membership clubs, which already have become a $22 billion industry. Despite continued consolidation the industry has flourished, and even more growth is expected.

Earlier this year M&M/Mars began marketing a special three-pound package of M&M Chocolate Candies. This large-size bag has also found a niche within warehouse operations across the country, much to the company's delight.

"Originally we started making the three-pound package as a promotional item, but demand quickly exceeded our sales expectations," said Whitney Hill, M&M/Mars' trade relations director.

Hill pointed out that the larger size of M&Ms appeals to many wholesale club shoppers who are buying M&M candy products for use in restaurants and ice cream shops.

"A lot of M&Ms are used in cookies and as toppings," he said. "A larger-size bag helps entice people to consume more candy."

Golden Valley Microwave Foods makes available 12-count to 18-count sizes of its Act II popcorn products, a substantially larger size than the three- to six-count packages generally sold through supermarkets.

The company, which also markets microwaveable pancakes, french toast, and waffles, sells 60-count to 70-count packages of those products ►

ACT II
MICROWAVE
POPCORN
Butter
TAKE ONE
$1.33
Great Flavor Instead of Salt

Large packs *of microwave popcorn, like these from Golden Valley, are particularly attractive to wholesale club shoppers, who save by buying bigger sizes.*

primarily to warehouse clubs, compared to the standard eight-count to 12-count packages preferred by supermarkets.

"The sizes reflect the style of the warehouse clubs, which want to offer a savings to the consumer who will buy a goodly size," said Bill Pfund, Golden Valley spokesman.

"Super"-sized packages of Oreos, Ritz crackers, and Chips Ahoy! cookies are the best-selling Nabisco products through warehouse outlets, said Mark Gutsche, Nabisco Brands spokesman.

The Super Carton, which consists of two one-pound cartons bound together, are available to all classes of trade. "But the larger package clearly fits the need of consumers in warehouse formats," Gutsche said. "Those consumers are going there to stock up; they want the big bag of Wheat Thins."

In several Midwest cities, Pepsi-Cola is testing a special four-pack of its two-liter bottles for sale specifically through larger-format grocery outlets.

"It comes in a special cardboard carrying case, which makes it easier for high-volume customers, like families, to carry than four separate two-liter bottles," said Gary Gerdemann, public relations manager for Pepsi-Cola.

Gerdemann added that warehouse clubs provide the soft drink marketer with a "high-format that's advantageous for us, since in the soft drink business, volume is everything."

While the number of special sizes and packaging concepts are somewhat limited, food manufacturers note that they are just beginning to understand the methods and strategies of marketing through warehouse club stores.

Operators of wholesale clubs are quick to point out that they require special consideration from vendors.

For example, wholesale clubs don't require the point-of-purchase displays that traditional operators use. Wholesale operators also don't request the in-store support that other retailers have come to demand, and that represents an enormous savings to vendors.

Explained Ken Kirwan, senior vice president, general merchandise manager for BJ's Wholesale Club, "We're not asking for better deals; just different."

Manufacturers are all ears to learn how to partner with wholesale clubs. "It's a distribution channel that's here to stay, and we'll get better at providing the products warehouse clubs want," said Heinz USA's Muscato. "We view this as an opportunity to build our business, and we've just begun to scratch the surface."